

INCREASED ECONOMIC RELATIONS BETWEEN CHINA AND ZAMBIA IN THE  
LAST DECADE: IMPLICATIONS ON ZAMBIA'S EXISTING  
BILATERAL RELATIONS WITH THE UNITED STATES

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by

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## ABSTRACT

INCREASED ECONOMIC RELATIONS BETWEEN CHINA AND ZAMBIA IN THE LAST DECADE: IMPLICATIONS ON ZAMBIA'S EXISTING BILATERAL RELATIONS WITH THE UNITED STATES, by Major Mubita Oliver Mubita, 123 pages.

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The study found out that the increase in Chinese economic relations with Zambia has not significantly impacted Zambia's bilateral relationship with the U.S., and Chinese increased investments are primarily in mining and infrastructure development, while the U.S. has maintained steady investments in almost all sectors of the Zambian economy.

The research concluded that an increase in Chinese economic relations with Zambia has not changed U.S. relations with Zambia. However, areas of potential overlap do exist in Chinese activities which can directly or indirectly impact on U.S. interests in Zambia. Further, Zambia's economic relationship with both China and the U.S. is not zero-sum, as both countries make meaningful contributions to Zambia's economic growth. Zambia has to leverage its relations with the two economic powers in order to achieve synergy.

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I dedicate this work to my family, my wife Mutale Mubita, my children Mubita, Neo and Thabo. Through this work, I also recognize the greatest efforts made by my late father, Malvern Mubita Malamo, to ensure I attained the best education even during challenging times in Zambia.

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## ACRONYMS

AFRICOM	Africa Command
FNDP	Fifth National Development Plan
FOCAC	Forum on China-Africa Cooperation
GRZ	Government of the Republic of Zambia
NFCA	Nonferrous China-Africa
SNDP	Sixth National Development Plan
TAZARA	Tanzania Zambia Railway
USD	U.S. Dollars



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## CHAPTER 1

### INTRODUCTION

Nations have no permanent friends or allies, they only have permanent interests.

—Henry John Temple Viscount Lord Palmerston, in Brown,  
*Palmerston and Politics of Foreign Policy, 1846-1855*

#### Background

China's presence in Africa has increased in the last decade. This is after its own economic growth started to expand following various policy changes. Be it in the areas of diplomatic, information, military or economic, China has been making efforts to gain ground on the African continent. To understand the emergence of China as an economic force in Africa, one needs to explore the background and scope of its involvement before addressing the implications. Chinese economic ties with Africa date back five centuries, but the era before the latest economic cooperation can be traced back to the 1950s.<sup>1</sup> This cooperation has taken an unprecedented increase in recent years, to include trade, financial investment, as well as developmental aid including infrastructure.

The trends of China's economic relations in Africa constitute a challenge to its competitors on the continent as well as the African countries themselves. In 2008, a study by the International Monetary Fund concluded that China was the third largest trade

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<sup>1</sup>The African Development Bank Group Chief Economist Complex, "Policy Brief," *Chinese Trade and Investment Activities in Africa* 1, no. 4 (29 July 2010): 15.

partner with Africa behind the European Union and the United States (U.S.).<sup>2</sup> In 2010, however, based on figures provided by the International Monetary Fund, an African Development Bank policy brief pointed to a decline in the trade level between Africa and the West.<sup>3</sup> While Africa's exports to its traditional Western partners are declining, its exports to China have increased. According to this brief, the same trend is valid with regard to African imports. This has been confirmed by other studies and analyses that acknowledge China as "Africa's biggest trading partner" today.<sup>4</sup> One such country in Africa that has experienced the growing trends in China's economic relations in the last decade is Zambia. Much debate has been going on in the country regarding increased Chinese and Zambian economic relations with people holding different perspectives regarding its implications on the country's other bilateral relations, especially with the U.S., who also have significant interests in Zambia.

The theme of this thesis is: Increased economic relations between China and Zambia in the last decade: What are the implications on Zambia's bilateral relations with the U.S.? Considering that China is a global economic challenger to the U.S., this thesis examines increased Chinese and Zambian bilateral relations and the implications for future cooperation between the U.S. and Zambia. It also provides recommendations on how Zambia could best benefit from its various bilateral relations without damaging U.S.

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<sup>2</sup>Jian-Ye Wang and Abdoulaye Bio-Tchane, "Africa's Burgeoning Ties with China," International Monetary Fund, March 2008, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm> (accessed 3 August 2013).

<sup>3</sup>The African Development Bank Group Chief Economist Complex, 15.

<sup>4</sup>The Economist, "The Chinese in Africa, Trying to Pull Together," 20 April 2011, <http://www.economist.com/node/18586448/print> (accessed 3 August 2013).

interests in Zambia. Issues of concern are how Zambia, as a developing country, finds itself in a strategic dilemma—how to interact with two global economic powers without conflicting with their interests and what benefits Zambia could draw from such relations to achieve synergy.

### China and Zambia Relations

The relationship between China and Zambia can be traced back to before Zambia's independence from Britain on 24 October 1964. Zambia was known as Northern Rhodesia, having been named after Cecil Rhodes, a representative of the British South African (BSA) company. China mainly provided financial and material support to opposition political parties engaged in the struggle for independence.<sup>5</sup> According to Professor Zeng Qiang of the Institute of Asian and African Studies, the China and Zambia relationship is divided into three periods, namely the period from 1949 to 1979, 1979 to 1999, and the current one from 1999.<sup>6</sup>

During the period from 1949 to 1979, China's relations with Zambia focused on supporting its struggle for independence from colonial rule, recognizing and establishing diplomatic ties. After Zambia's independence in 1964, China engaged in helping Zambia develop its infrastructure. At that time, Zambia was in a hurry to build a new transportation link so that it could develop its economy and support the liberation of other countries in the region from imperialism and colonialism. This included overcoming

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<sup>5</sup>Inyambo Mwanawina, *China-Africa Economic Relations: The Case of Zambia*, African Economic Research Consortium, 4 February 2008, <http://dspace.cigilibrary.org/jspui/bitstream/123456789/32072/1/Zambia.pdf?1> (accessed 3 August 2013), 1

<sup>6</sup>Zeng Qiang, "China-Africa Relations since Introduction of FOCAC," China Institute of Contemporary International Relations, Beijing, China, 2007, 14.

Zambia's dependence on the sea outlet to the south which was still controlled by the White racist regimes of South Africa and Southern Rhodesia, now Zimbabwe. To do this, Zambia engaged Tanzania, a neighboring country in the northeast. Together the two countries sought help from the Western world and the former Soviet Union but were not successful. In 1965, President Julius Nyerere of Tanzania visited China and requested help to build a railway from Tanzania to Zambia.

China agreed to the request in accordance with its strategy of supporting African countries in their quest for independence and economic development in order to foster its influence on the African continent. In 1967, President Kenneth Kaunda of Zambia also visited China and reiterated the idea of a railway between Zambia and Tanzania. The Chinese accepted the request and construction commenced after the three countries signed the "Agreement of the Government of the People's Republic of China, the Government of the United Republic of Tanzania and the Government of the Republic of Zambia on the Construction of the Tanzania-Zambia Railway" in Beijing.<sup>7</sup> Work started in 1970 and was completed in 1976. Today the Tanzania-Zambia Railway stands as one of the biggest Chinese projects in Africa. Therefore, the relationship between China and Zambia during the first period can be termed as political and infrastructure development. At that time African countries sought political independence and infrastructure development whilst China was registering its influence in Africa.

The second period of China and Zambia relations was from 1979 to 1999. During this time, there were key shifts on the African continent. Most African countries

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<sup>7</sup>Ministry of Foreign Affairs of the People's Republic of China, "China's Assistance in the Construction of the Tanzania-Zambia Railway," 17 November 2000, <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18009.htm> (accessed 3 August 2013).

underwent political and economic transformations. Zambia in the late 1980s experienced an economic down turn due to the lower copper prices on the London Metal Exchange and a huge debt incurred from the International Monetary Fund.<sup>8</sup> In 1991, Zambia adopted a multiparty democratic system of government while China was recovering from social and economic challenges caused by the Great Proletarian Cultural Revolution and began to prosper as Deng Xiaoping's Open Door policies and capitalist reforms matured.<sup>9</sup> The same year, China introduced policy changes adopting a "Going Out" policy which affected many African countries. At this stage China focused more on its national economic development by way of exploiting other global opportunities as opposed to promoting its ideology. During this period, the relationship between China and Zambia had a minimal economic impact, but rather remained diplomatically active.

The last and current period can be traced from 1999. During this period, Zambia intensified its agenda of promoting sustained economic development. Among the priority areas addressed include poverty alleviation and promotion of regional peace. To ensure it attains its aspirations, Zambia has contributed significantly to the transformation of Regional Economic Communities like the Common Market for East and Southern Africa and the Southern African Development Community to ensure it broadens its economic potential.

China on the other hand, has been recording economic growth in the 10 percent per year range, transforming itself into a major global economic player concerned with finding its place in the international realm dominated by the Western economies. The

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<sup>8</sup>Mwanawina, 1.

<sup>9</sup>Ibid., 2.

year 2000 saw the birth of the Forum on China-Africa Cooperation (FOCAC) highlighting new relationships between Africa and China. The FOCAC 2000 contained principles such as political equality, mutual trust, economic win-win cooperation and cultural exchange to guide relations. The FOCAC has periodically been revised and it is this forum that has seen China's increased development of its interests in Africa in general and Zambia especially.<sup>10</sup>

### U.S. and Zambia Relations

Having looked at the historical background of the relationship between China and Zambia, it was also important to highlight the genesis of the relations between the U.S. and Zambia. This is significant in creating an understanding of the study and bringing the research into perspective. According to the U.S. Department of State, the U.S. established diplomatic relations with Zambia after its independence from the United Kingdom in 1964.<sup>11</sup> Before independence, Zambia, formerly known as Northern Rhodesia, was part of the federation of Rhodesia and Nyasaland. The British-governed federation lasted for 10 years from 1953 to 1963. After the dissolution of the federation, the three British territories that constituted the federation, namely Northern Rhodesia, Southern Rhodesia and Nyasaland, realized their dream of determining their own political future. On 24 October 1964, Zambia gained its independence as the Republic of Zambia and the U.S.

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<sup>10</sup>Mwanawina, 2.

<sup>11</sup>U.S. Department of State, "U.S. Relations with Zambia," Bureau of Public Affairs, 19 June 2013, <http://www.state.gov/r/pa/ei/bgn/2359.htm> (accessed 3 August 2013).

recognized the new nation and immediately established diplomatic relations with it. Since then, the two nations have enjoyed warm and cordial relations.

Like other developing countries, Zambia's bilateral relationship with the U.S. is based on the U.S. desire to alleviate global poverty by promoting sustainable economic development and democratic governance. In Zambia, the U.S. has worked with the government to fight the HIV/AIDS pandemic, promote economic development, promote democratic governance and support the anti-corruption crusade.<sup>12</sup> Accordingly, Zambia has interacted with the U.S. through programs like the African Growth and Opportunity Act, the U.S. Agency for International Development and the President's Emergency Plan for AIDS Relief. From the early days, the U.S. relations with Zambia have not only been centered on financial and material support but also on the development of human capital and institutional capacity. This can be seen from the projects the U.S. undertakes in Zambia.

### Problem Statement

China's activities with African countries, including Zambia, have increased during the last 10 years. Given China's rising profile on the global stage, especially its remarkable economic performance and the effects on other global players, its growing influence cannot be over emphasized. Having noticed the proliferation of Chinese programs and activities in Zambia's economic and infrastructural developmental sectors, and the influence the two sectors have on other sectors in the country, the question becomes: Is this increase in China and Zambia relations likely to impact on Zambia's

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<sup>12</sup>Ibid.



bilateral relations with other countries like the U.S. who also have interests in Zambia that directly or indirectly impact the economic and infrastructural development sectors? If China, which is an emerging economic power, second only to the U.S., has increased economic relations with Zambia in areas that also impact directly or indirectly on those in which the U.S. are involved in, how then does Zambia interact effectively with China without compromising its already existing relations with the U.S.?

This paper examines the increased economic relations between China and Zambia over the last decade and its implications on existing U.S. and Zambia relations. Accordingly, the paper analyzes potential conflicts in Zambia's existing bilateral relations with the U.S. with the view to recommend measures that would benefit Zambia without compromising its relations with the U.S. In the framework of China and Africa relations, this study assumes the Zambian perspective, hence is a case study of Zambia's multinational relations.

### Hypothesis

The increase in Chinese and Zambian economic relations will change the nature of the relationship between the U.S. and Zambia.

### Primary Research Question

To what extent will improved China and Zambia relations change the U.S. and Zambia relations?

### Secondary Research Questions

In order to address and support the primary research question, it is important to answer the following secondary research questions:

1. What are China's relationship with and interests in Zambia?
2. What is the U.S. relationship with Zambia? What are the U.S. interests in Zambia?
3. What is the U.S. policy on China-Africa relations?
4. What are the overlapping areas in China and Zambia and Zambia and the U.S. relationships?
5. Is the Chinese and U.S. relationship with Zambia zero-sum or mutual?

### Limitations

This study was restricted to the duration of the 10-month long Command and General Staff Officer's course at the U.S. Army Command and General Staff College. To date no specific study addresses the same research question. Therefore, this study depended primarily on official policy documents, computer databases, and secondary sources treating studies related to this research. The data accessed was adequate for analysis to produce a sound report and add to the existing body of knowledge on the subject.

### Significance of the Study

This study creates a better understanding of the interplay between countries in the international system as far as interests are concerned. In addition, this study established that increased Chinese economic relations with African countries like Zambia could have implications on a country's existing bilateral relations with other economic powers like the U.S. Accordingly the study determined whether such increased relations could be synergistic, symbiotic or indeed parasitic. Therefore, the study is important because the

resultant findings can be helpful in enlightening readers and other stakeholders on how countries can relate within the international system.

### Summary

This chapter introduced the background to Chinese relations in Africa. It further explained Chinese increased economic trends on the continent before focusing on Zambia as one of the countries that has experienced such an increase. Additionally, this chapter highlighted the theme of the thesis as “Increased China and Zambia economic relations in the last decade; what are the implications on Zambia’s bilateral relations with the U.S.?” It further explained the backgrounds of both Chinese and Zambian relations and those of the U.S. and Zambia. Chinese and Zambian relations date back as far as 1949 while those between U.S. and Zambia were traced to the period just after Zambia’s independence in 1964. China’s relations have been identified in three periods, ranging from helping in the liberation struggle, infrastructure development and currently economic support. The U.S. on the other hand, has been helping Zambia to alleviate poverty, promote sustainable economic development, and implement democratic reforms. This study significantly contributes toward understanding the interplay that exists in a trilateral relationship.

## CHAPTER 2

### LITERATURE REVIEW AND METHODOLOGY

This chapter is divided into two parts. The first part covers the literature review and the second part highlights the methodology adopted in the study.

#### Literature Review

The literature review highlights pertinent or relevant pieces of literature that addresses the phenomenon of Zambia's relations with the U.S. and China. Some of the materials have global or regional perspectives while others focus on the Zambian context. Some of the literature dealt with the subject of increased China and Zambia relations and attempted to explain or describe those relations. However, no research materials were found that address the specific question whether the increased Chinese and Zambian relations has implications on existing U.S. and Zambian relations. Therefore, this study serves as a basis for subsequent study on the subject. The focus of the study has been narrowed in order to dwell on specific aspects surrounding the trilateral relations between the U.S., China and Zambia. The literature review begins with the relevant current official documents before reviewing other reports and books.

#### FOCAC

The FOCAC is a multilateral platform for cooperative consultations and dialogue established jointly by Chinese and African leaders in 2000 “in order to further strengthen the friendly cooperation between China and Africa under the new circumstances, to jointly meet the challenge of economic globalization and to promote common

development.”<sup>13</sup> FOCAC focuses on equality, South to South cooperation and mutual benefits. The forum also “promotes both political dialogue and economic cooperation and trade, with a view to seeking mutual reinforcement and common development.”<sup>14</sup> Therefore, the FOCAC provides a diplomatic platform for consultation and formalization of Sino-African relations, complementing China’s bilateral relations with individual African countries by providing a forum where Chinese and African leaders can set the direction and consolidate their relationships. The inaugural FOCAC ministerial meeting, attended by ministers from 48 African nations, was held in Beijing on 10-12 October 2000. This meeting “charted the direction for the development of a new, stable and long-term partnership featuring equality and mutual benefit between China and African countries.”<sup>15</sup>

Following the inaugural meeting, the Program for China and Africa Cooperation in Economic and Social Development and the Beijing Declaration of the Forum on China and Africa Cooperation was adopted, and a 27-member Chinese follow-up committee was established. The subsequent second ministerial meeting was held in Addis Ababa on 15-16 December 2003. After the meeting, the Addis Ababa Action Plan 2004-2006 was published, outlining the priority areas for Sino-African relations over the coming three

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<sup>13</sup>Forum on China-Africa Cooperation, “The Creation of FOCAC,” Ministry of Foreign Affairs People’s Republic of China, 2013, [www.focac.org](http://www.focac.org) (accessed 9 May 2013).

<sup>14</sup>Ibid.

<sup>15</sup>Ibid.

years.<sup>16</sup> Following the Addis Ababa Action Plan 2004-2006, several meetings were held until a comprehensive document called the Beijing Action Plan was released. The Beijing Action Plan covers plans for high-level economic cooperation and international affairs, detailed commitments on human development, infrastructure development and technical assistance.<sup>17</sup> At the Beijing Summit, a number of commitments were made and subsequently incorporated into the Beijing Action Plan. These commitments included doubling of 2006 development aid by 2009, establishing a five billion dollar China-Africa Development Fund, non-tariff treatment of over 440 African export products, training of 15,000 African professionals in China, creating 10 agricultural technology demonstration centers, building 30 hospitals and 100 rural schools, donation of USD (U.S. dollars) 37.5 million towards an anti-malaria campaign, dispatching of 100 Chinese agricultural experts and doubling the number of scholarships for Africans to 4,000 by 2009.<sup>18</sup> Since then, several meetings have been held. The last being “The Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013- 2015)” held from 19-20 July 2012.<sup>19</sup> At this meeting China and Africa applauded

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<sup>16</sup>China.org.cn, “The Addis Ababa Action Plan,” <http://www.china.org.cn/english/features/focac/185197.htm> (accessed 9 May 2013).

<sup>17</sup>Ministry of Foreign Affairs of the People’s Republic of China, “The Beijing Action Plan,” <http://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t280369.htm> (accessed 9 May 2013).

<sup>18</sup>Ibid. The FOCAC Ambassador of China’s Ministry of Foreign Affairs Field confirmed in an interview with the Center for Chinese Studies on 24 April 2009 that the list has been extended and currently comprises 466 items.

<sup>19</sup>Forum on China-Africa Cooperation, “The Fifth Ministerial Conference,” Ministry of Foreign Affairs People’s Republic of China, <http://www.focac.org/eng/lttda/dwjbzjjhys/> (accessed 9 May 2013).

the active contributions FOCAC made toward consolidating the China-Africa traditional friendship, strengthening political mutual trust, deepening practical cooperation, enhancing exchanges and mutual learning including advancing the comprehensive development of the new type of China-Africa strategic partnership.<sup>20</sup> Accordingly the Addis Ababa Action Plan (2010-2012) was reviewed before the Action Plan (2013-2015) was formulated.<sup>21</sup>

The key aspects emphasized in the Action Plan (2013- 2015) included political affairs, regional peace and security, international cooperation, economic cooperation, development cooperation and cultural programs. By means of the multilateral FOCAC process, China has engaged with numerous African countries. However, there are arguments that China's engagement with African countries continues to predominantly take place through bilateral frameworks. China's interactions with the African continent and countries at the national level cover a wide range of areas as evidenced from the Fifth Meeting. Therefore, the FOCAC forms a crucial part of China's strategy towards Africa.

#### Chinese Government White Paper on China-Africa Economic and Trade Cooperation

The other important component of the FOCAC strategy is the *Chinese Government White Paper on China-Africa Economic and Trade Cooperation*, released in

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<sup>20</sup>Forum on China-Africa Cooperation, "The Fifth Ministerial Conference."

<sup>21</sup>This was done to implement the outcomes of the conference and chart the future course of China-Africa cooperation in all fields in the next three years, under the theme of "build on past achievements and open up new prospects for the new type of China-Africa strategic partnership," and in the spirit of the Beijing Declaration of this ministerial conference, the two sides jointly formulated and adopted with consensus the Action Plan.

January 2006 ahead of the third FOCAC Summit in November 2006. The *White Paper* specifically outlines how China envisions its relations with Africa in terms of political, economic and developmental cooperation.<sup>22</sup> It emphasizes the development of Sino-African trade. The development of economic relations and trade between China and Africa was identified as a priority in the Beijing Program for China-Africa Cooperation in Economic and Social Development adopted after the first FOCAC meeting in 2000, the FOCAC ministerial meeting in 2003, and the Addis Ababa Action Plan. There has been a remarkable increase in trade between China and African countries since the inaugural FOCAC meeting in 2000.<sup>23</sup>

The five pillars of China-African policy include sincerity; friendship and equality; mutual benefit, reciprocity and common prosperity; mutual support and close coordination, learning from each other and seeking common development, and the One-China principle. The One-China policy stands as the political foundation for China's relations with African countries and other regional organizations. China is ready to establish relations with countries that support China's dream of unification with Taiwan.<sup>24</sup> Therefore, the China-Africa policy addresses China's political, economic and developmental cooperation with specific emphasis on trade.

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<sup>22</sup>Forum on China-Africa Cooperation, "China's African Policy," Ministry of Foreign Affairs People's Republic of China, January 2006, <http://www.focac.org/eng/zgdfzzc/t463748.htm> (accessed 9 May 2013).

<sup>23</sup>*Ibid.* The China-Africa preamble states: China, the largest developing country in the world, follows the path of peaceful development and pursues an independent foreign policy of peace. China stands ready to develop friendly relations and cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence so as to contribute to peace, stability and common prosperity around the world.

<sup>24</sup>*Ibid.*



## United States Strategy Toward Sub-Saharan Africa

Having looked at China and Africa relations, it is equally important to highlight the *United States Strategy Toward Sub-Saharan Africa*. The U.S. has long-term national interests and vital engagements with many Africa countries. The *United States Strategy Toward Sub-Saharan Africa* is an official government document that explains the U.S. foreign policy regarding trans-African issues in conjunction with organizations including the African Union. According to President Obama, the *United States Strategy Toward Sub-Saharan Africa* solidifies and advances initiatives aimed at helping achieve balance and elevates efforts that are critical to the future of Africa. It strengthens democratic institutions and boosts broad-based economic growth, including thorough trade and investment. It also promotes strong, accountable, and democratic institutions, sustained by a deep commitment to the rule of law, which generate greater prosperity and stability. It emphasizes that sustainable economic growth is a key ingredient to security, political stability and development, underpins efforts to alleviate poverty, and creates resources that will bolster opportunity to reach full potential.<sup>25</sup>

The U.S. recognizes the tremendous efforts most Sub-Saharan African countries make in embracing democracy, reforming government structures, fighting corruption and championing human rights. It believes Africa is a region with growing opportunity and promise, for both Africa and America. Africa is viewed as possibly the world's next major economic success story but Africa needs assistance in building strong institutions to promote trade and investment. The U.S. desires to broaden opportunities for African

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<sup>25</sup>Barack Obama, *United States Strategy Towards Sub- Sahara Africa* (Washington, DC: The Whitehouse, 2012).

countries to effectively access each other's markets and global markets by embracing sound economic policies, good governance, economic diversification, and help with opportunities that promote prosperity.<sup>26</sup>

The *United States Strategy Toward Sub-Saharan Africa* emphasizes four objectives, namely strengthening democratic institutions, promoting economic growth, trade and investment, and advancing peace and security that promote opportunity and development. The strategy highlights the need for partnership in pursuing interdependence and mutual objectives. Therefore, the U.S. strategy plays a very pivotal role in determining how the U.S. interacts with countries in Sub-Saharan Africa. Without this strategy, it would be difficult to understand the U.S. official interests.

#### U.S. Africa Command (AFRICOM) Posture Statement

The other policy document that explains the U.S. policy in Africa is the *U.S. Africa Command Posture Statement*.” It contains information presented to Congress annually pertaining to the role of the U.S. military resources in Africa. The *U.S. Africa Command Posture Statement* was published in 2012. According to its mission statement, Africa Command “protects and defends the U.S. national security interests by strengthening the defense capabilities of African states and regional organizations and, when directed, conducts military operations, to deter and defeat transnational threats and provide a secure environment conducive for good governance and development.”<sup>27</sup>

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<sup>26</sup>Obama.

<sup>27</sup>U.S. Africa Command (AFRICOM), “2012 Posture Statement: Statement of General Carter Ham Before House Armed Services Committee,” AFRICOM, 1 March 2012, <http://www.africom.mil/Newsroom/Article/8832/2012-posture-statement-statement-of-general-carter> (accessed 9 May 2013).

In his speech to the House Armed Services Committee, the U.S. Geographic Combatant Commander, General Carter Ham, reiterated AFRICOM's commitment to partnering with Africa and other stakeholders in addressing security threats and stability in Africa. General Ham stressed AFRICOM's policy objectives as strengthening partnerships and reducing threats to America, Americans, and American interests emanating from Africa. He explained that the U.S. was increasingly connected to African states and regional organizations through shared economic, political, and security interests, including commitments to consolidating democratic and economic progress achieved over the years. "With six of the world's fastest growing economies in the past decade, combined with democratic gains made in a number of African nations in 2011, Africa's strategic importance to the United States will continue to grow."<sup>28</sup>

According to the *U.S. Africa Command Posture Statement*, AFRICOM's priorities include countering terrorism and violent extremist organizations, countering piracy and illicit trafficking, partnering to strengthen defense capabilities, crisis response and financial support. The posture statement, as a policy document, lays out how the U.S. defense community will interact with Africa. It is a vital document that addresses the research question as it highlights American security interests and commitments in Africa.

### Zambia's Foreign Policy

After reviewing the various official policy documents explaining China and U.S. interests in Africa, it is important to look at Zambia's foreign policy. Zambia's foreign policy is founded on the premise of maximizing economic benefits and global economic

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<sup>28</sup>U.S. AFRICOM.

integration. Zambia's foreign policy articulates promoting human rights, fundamental freedoms and good neighborliness through peaceful coexistence with neighboring states, "Zambia envisages playing its role towards the achievement of a prosperous nation, free of poverty and disease, which participates competitively in the global economic and political environment and contributes to the promotion of a just economic world order and towards a safe and peaceful world."<sup>29</sup>

Zambian foreign policy is important to Zambia's interaction in the international system because it defines its strategic interests. According to the policy, Zambia is committed to promoting trade and investment, consolidating democracy, ensuring freedom and national security and promoting international peace and security while upholding Zambia's national image abroad. Over the last decade the document has been adjusted placing an emphasis on promoting economic growth and development by attracting foreign investment and participating in global activities.

#### Zambia's Sixth National Development Plan (SNDP)

*Zambia's Sixth National Development Plan*, 2011–2015, is another important document reviewed in this study. It is the successor to the *Fifth National Development Plan* (FNDP), aimed at bringing Zambia's aspirations of the Vision 2030 of becoming a prosperous middle-income nation by 2030 into reality. The FNDP laid the foundation for improving economic infrastructure and investing in human development, while the SNDP builds on the gains of the FNDP with the view to attain the Vision. In the FNDP period,

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<sup>29</sup>Republic of Zambia, Ministry of Foreign Affairs, *Zambia's Foreign Policy* (Lusaka, Zambia: Government Printers, 2009), 2.

Zambia's economy attained macroeconomic stability and continued to grow at an average 6.1 percent, at the same time achieving positive gains in infrastructure development.<sup>30</sup>

Accordingly, the social sectors recorded improvements especially in health and education. However, despite the gains, very little was achieved in reducing the levels of unemployment and poverty. The theme of the SNDP is “sustained economic growth and poverty reduction.” “In line with this theme, the SNDP focuses on policies, strategies and programs that will contribute significantly to addressing the challenges of realizing broad-based pro-poor growth, employment creation and human development.”<sup>31</sup>

Therefore, the strategic focus of the SNDP is infrastructure and human development. The document further highlights its focus being driven by the principles of accountability, decentralization and efficient resource allocation.

“The objectives of the SNDP are to: Accelerate infrastructure development; economic growth and diversification; promote rural investment and accelerate poverty reduction and enhance human development.”<sup>32</sup> The priority areas in which the SNDP intends to achieve growth include agriculture, livestock and fisheries, mining, tourism, manufacturing, commerce and trade. Additionally, investment in rural areas will be significant towards increasing employment and reducing poverty levels. The SNDP

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<sup>30</sup>Republic of Zambia, Ministry of Finance and National Planning, *The Sixth National Development Plan* (Lusaka, Zambia: Government Printers, 2011), 1.

<sup>31</sup>Ibid.

<sup>32</sup>Ibid.

promotes investment in rural infrastructure such as roads, rail, information and communication technology, energy, water and sanitation, education and health.<sup>33</sup>

The Government of the Republic of Zambia (GRZ) recognizes the importance of all sectors and the SNDP highlights critical programs leading to the attainment of the overall objectives of the plan. The SNDP covers: Economic and social developments, infrastructure, human development, growth sectors, support sectors, and includes a monitoring and evaluation institutional framework.<sup>34</sup> At the same time, other cross-cutting issues such as governance, HIV/ AIDS, gender, disability, nutrition, environment and disaster risk management would be incorporated during implementation. The plan serves as a deliberate and strategic approach to ensure effective implementation mechanisms of these critical issues in the sector programs.

According to the SNDP, during the FNDP period (2006-2009), economic growth averaging 6.1 percent per annum was recorded compared to 4.8 percent attained during the Poverty Reduction Strategy Paper/Transitional National Development Plan (2002-2005) period.<sup>35</sup> The growth was as a result of macroeconomic stability, growth in exports and overall improvements in the investment climate. Therefore, with significant improvements in the investment climate, the foreign direct investment increased especially in the mining, construction and services sectors. However, it is worth noting that the annual average economic growth over the FNDP period was still below the

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<sup>33</sup>Republic of Zambia, *The Sixth National Development Plan*, 2.

<sup>34</sup>Ibid.

<sup>35</sup>Ibid.

envisaged target of 7.0 percent.<sup>36</sup> The failure was partly attributed to the weak performance in key sectors like agriculture, manufacturing, tourism, and the effects of external factors such as high crude oil prices and unfavorable weather conditions.

While understanding that promoting programs in infrastructure and human development will drive economic growth in Zambia, the GRZ realizes that Zambia is endowed with natural resources which could provide an impetus to develop agriculture, tourism, manufacturing, mining and energy sectors. Mining remains significant and hence the need to continue promoting it. However, there is need to diversify the economy, in order to cushion it in case of external market fluctuations. Therefore, accelerating growth in all sectors, coupled with quality human development and efficient public service delivery, are critical for economic development, wealth creation, poverty reduction and improved livelihoods of the majority of Zambians.<sup>37</sup> In all these areas, the GRZ will promote private sector investment and public private partnerships.

#### Infrastructure Development

Poor and inadequate infrastructure remains the major constraint to economic development and poverty reduction in Zambia. The SNDP mainly focuses on sustained commitment to infrastructure development. The GRZ will continue to build on the successes recorded in the FNDP by investing in health and education infrastructure including skills development. The areas the SNDP addresses are transport, focusing on roads, bridges, air, water, and rail, border infrastructure, information communications

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<sup>36</sup>Republic of Zambia, *The Sixth National Development Plan*, 2.

<sup>37</sup>*Ibid.*, 9.

technology covering backbone infrastructure, digitalization, next generation networks, and centers of excellence. In the energy sector, the SNDP covers power generation, transmission, distribution and alternative technology, while water supply and sanitation projects include reticulation systems, dams, pipelines and boreholes.<sup>38</sup> The SNDP sees infrastructure as a significant driver to achieving its objectives.

### Rural Development

According to the SNDP, rural development remains critical in the government's quest to reduce poverty. The rural development programs focus on stimulating agriculture productivity and promoting agro-businesses, and improving the provision of basic services such as water and sanitation, health, education and skills development. Additionally, the SNDP promotes investment in key economic infrastructure like feeder roads, water canals, tourist access roads and electricity access. This entails a continued implementation of the Rural Finance Program and a rapid roll-out of information communications technology services in rural areas to support expansion and increased use of financial services.<sup>39</sup> Accordingly, the SNDP will encourage rural industrialization to increase employment opportunities in rural areas.

### Human Development

Having identified the low quality of human capital in Zambia, the SNDP focuses on developing skills, improving labor productivity, increasing access to health, and higher and tertiary education, including facilitating the distribution of skilled labor within

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<sup>38</sup>Republic of Zambia, *The Sixth National Development Plan*, 8.

<sup>39</sup>*Ibid.*, 9.



and across all sectors in the country.<sup>40</sup> In each sector, emphasis is being placed on infrastructure and human development interventions.

### Mining

According to the SNDP, the mining industry in Zambia has experienced exceptional growth averaging nine percent per annum in the last decade and there are still prospects for development. The mining sector will continue to be a major driver of growth, at the same time providing momentum for value added through the creation and expansion of the manufacturing industry. The result will trigger infrastructure development in the areas of road construction, railways rehabilitation, border facilities and reliable supply of electricity. The GRZ believes growth in the mining sector will be complimented by policy revisions that will encourage and attract private investment in exploration, re-investment and development of new mines through an attractive fiscal and regulatory regime.<sup>41</sup>

### Agriculture, Livestock and Fisheries

The FNDP revealed the prevalence of high poverty levels in most rural areas where the majority of households depend on agricultural activities.<sup>42</sup> Therefore, the GRZ intends to promote investments in agricultural infrastructure and rural finance to reduce poverty. To do this, the government will embrace all efforts to promote quality livestock, fish farming and crop diversification, improving marketing systems, harnessing the value

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<sup>40</sup>Republic of Zambia, *The Sixth National Development Plan*, 10.

<sup>41</sup>Ibid.

<sup>42</sup>Ibid., 9.

chain in agricultural production and increasing production to ensure national food security, job creation and increased income from exports.<sup>43</sup>

### Tourism

In the tourism sector, the SNDP concentrates on making the sector viable and competitive by way of improving infrastructure particularly in the Livingstone and Kafue national parks and the northern circuit. This will be realized through infrastructure development initiatives like increasing access to electricity and information communications technology services. In this respect, the GRZ will also focus on improving the regulatory framework and the development of human capacity to enhance service delivery.<sup>44</sup>

### Manufacturing

According to the SNDP, in manufacturing, the GRZ will focus on attracting quality investment to the manufacturing sector by providing a good regulatory framework and business environment that aims at linking foreign direct investment to the needs of the domestic economy. In addition, the government will continue to facilitate development of manufacturing infrastructure including multi-facility economic zones and industrial parks, which will also contribute to employment creation especially in the urban areas.<sup>45</sup>

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<sup>43</sup>Republic of Zambia, *The Sixth National Development Plan*, 9.

<sup>44</sup>*Ibid.*, 10.

<sup>45</sup>*Ibid.*

## Energy

The SNDP explains that the GRZ will continue to encourage and foster private sector led investments in addition to promoting public private partnerships. To do this, the GRZ will continue to implement an economic electricity tariffs policy before 2015. Accordingly, the government will implement a grid code in order to facilitate private sector participation in the energy sector by sharing electricity transmission infrastructure. In Zambia, the procurement of petroleum remains a source of concern as it is a driver of economic activities. Therefore, during the SNDP, the focus will be based on improving procurement procedures and completing rehabilitation of the Indeni Oil Refinery and the TAZAMA pipeline.<sup>46</sup> In addition, serious efforts will be made to step up oil exploration and encourage the use of alternative sources of energy.

## Investment Policy

The policy of the GRZ in the SNDP is to speed up private sector investment with the view toward achieving increased and diversified growth. Therefore, the government will continue to attract investment and improve the investment climate. Measures will be made to link foreign direct investment to the domestic economy so as to broker linkages with small medium enterprises with the view toward increasing production and capacity to penetrate larger markets. This will create employment in various sectors.<sup>47</sup>

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<sup>46</sup>Republic of Zambia, *The Sixth National Development Plan*, 10.

<sup>47</sup>*Ibid.*, 16.

## International Relations

In the SNDP, the GRZ will consolidate economic diplomacy and enhance how it interacts with political diplomacy to address emerging economic and political challenges by undertaking programs lined up in the plan. This will be attained through a foreign policy that facilitates cooperation and investment in infrastructure and human development. According to the SNDP, the GRZ will devise a deliberate strategy at a bilateral, regional and multilateral level that focuses on infrastructure and human development. Equally, the government will take advantage of the good foreign relations the country enjoys to boost trade and attract foreign investment to strategic sectors. This will be facilitated by developing a foreign service that is capable of articulating Zambia's economic interests in the international arena.<sup>48</sup>

## Aid Policy and Management

The SNDP notes that developmental assistance constitutes a vital source of funding, given the developmental challenges Zambia faces. The aid policy will be used to guide and monitor programs outlined in the SNDP, in addition to managing and harmonizing interactions with cooperating partners. The GRZ will implement a division of labor approach by apportioning sectors amongst the cooperating partners in line with a new Joint Assistance Strategy for Zambia within the framework of the Paris Declaration.<sup>49</sup> In this regard, the GRZ and cooperating partners will update their existing memorandum of understanding and the other documents regarding donor practices to aid

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<sup>48</sup>Republic of Zambia, *The Sixth National Development Plan*, 16.

<sup>49</sup>*Ibid.*, 17.

effectiveness in Zambia. This will set out *inter alia* the standard of aid delivery to be adhered to by cooperating partners, mutual commitments regarding delivery of aid, and result in reaffirmation of the institutions for coordination and dialogue between the GRZ and its cooperating partners. The preferred mode of aid delivery will continue in the form of budget support and sector support.<sup>50</sup>

### Debt Management Strategy

During the SNDP period, both external and domestic borrowing will remain relatively conservative in order to maintain debt sustainability. In external debt management, the GRZ will continue to contract a mix of concessional and non-concessional debt with the view toward finance projects with high economic return particularly in developing infrastructure such as roads and electricity generation and transmission, so as to ensure future debt is sustainable.<sup>51</sup> At the same time, domestic debt has a greater impact on the government's liquidity management system. Therefore, the GRZ will endeavor to reduce the domestic debt stock through gradual reduction on issuances and refinancing of maturing government securities. Accordingly, the cost of issuing government securities within the monetary policy will be reviewed to reduce the cost to the Treasury. The government will also endeavor to reduce the stock of outstanding bills by instituting more stringent financial measures.<sup>52</sup>

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<sup>50</sup>Republic of Zambia, *The Sixth National Development Plan*, 17.

<sup>51</sup>*Ibid.*

<sup>52</sup>*Ibid.*

## Governance

In all the development programs discussed above, a favorable political climate is necessary if economic growth is to be achieved. Good governance remains the cornerstone for development. Prudent management will ensure the outcomes of development benefit the people. To ensure total adherence to the tenets of good governance during the SNDP period, the GRZ will continue to enhance integrity, accountability and transparency in both the public and private sectors, improve access to justice by all, especially the vulnerable, promote human rights, and enhance democratization.<sup>53</sup>

### China and Africa Economic Relations: The Case of Zambia

*China and Africa Economic Relations: The Case of Zambia*, by Inyambo

Mwanawina, is one of the few studies that have come close to addressing the research question. This study was commissioned by the African Economic Research Consortium in 2008. Mwanawina described Zambia's engagement with China prior to and after independence. The study clearly articulated the China and Africa policy with particular reference to Zambia, highlighting sectors in which China is involved with Zambia. However, the study placed particular emphasis only on the economic sector without highlighting implications on other areas of concern as well as Zambia's relations with other countries. The study was commissioned with the primary objective of providing information on the size, structure and significance of China and Africa relations.

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<sup>53</sup>Republic of Zambia, *The Sixth National Development Plan*, 24.

Mwanawina examined the nature and scope of Chinese investment in Zambia, pattern and magnitude of trade, development assistance and thereafter, made conclusions.<sup>54</sup>

According to Mwanawina, Chinese investment has been welcomed by subsequent Zambian governments and was centered on extracting raw materials. He further articulated that foreign direct investment by China was substantial, accounting for 47 percent of total pledged investments since 2007, the majority of which was in mining, manufacturing and telecommunications. However, there are concerns that Chinese firms allowed poor working conditions, did not adhere to environmental and safety rules and did not regard Zambian labor laws. The study further reported that, China's relationship with Zambia is at a bilateral level and disregards the Paris Declaration on Aid Effectiveness to which China is a signatory.<sup>55</sup> Mwanawina also asserted that trade between China and Zambia had substantially increased in the recent past. He stated that in 2006, exports to China accounted for 10 percent of Zambia's total exports with the largest contributor being base metals comprising of unprocessed mineral products (ores) at 19 percent of total ore exports. Base metal products represented 11 percent of total products which consisted of refined copper and cobalt. On the other hand, Zambia's imports from China are much smaller at only three percent of the country's total imports in 2006.<sup>56</sup> Mwanawina further reported that China remains the highest non-Paris Club creditor to Zambia with a debt stock. He states the debt was largely attributed to the

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<sup>54</sup>Mwanawina, 3.

<sup>55</sup>Ibid., 24.

<sup>56</sup>Ibid.

Tanzania and Zambia Railway (TAZARA) project at 36.5 percent and to China National Aero-Technology Import and Export Corporation at 27.9 percent.<sup>57</sup>

Chinese assistance to Zambia is in the form of grants and soft loans. All Zambia's bilateral agreements with China are confidential,<sup>58</sup> despite both countries' commitment to public transparency and accountability making them closed to public scrutiny, the agreements are framed in favor of China as Zambian authorities lack the capacity and skills for national plan formulation, coordination and monitoring. Mwanawina also stated that project identification and selection was based on ad hoc consultations which results in a wish list of projects and priority areas.<sup>59</sup> The China and Zambia economic relationship has been identified to benefit China because of the way trade agreements are negotiated. Accordingly, Mwanawina argued that Zambia stands to lose and benefit in its increased relations with China. "The loss is on account of foregone income tax revenue due the loss of employment opportunities at both the firm and household levels while the gain is in the form of increased revenues from trade taxes." Mwanawina viewed Chinese contractors and investors as major beneficiaries by virtue of the bilateral agreements they signed and their ability to bid at the lowest costs. He explained that the Zambian government and local labor were also expected to benefit because of increased infrastructural development and employment opportunities. Therefore, Mwanawina traced the background of China and Zambia economic relations and indicated the performance of Chinese investment. He concluded with the benefits drawn from the

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<sup>57</sup>Mwanawina, 24.

<sup>58</sup>Ibid.

<sup>59</sup>This implies that there is no long-term strategic plan being followed.



increased relationship in the short term, implying that there is no gain on the part of Zambia in the long term.

### Implications of Chinese Involvement in Zambia

A paper titled “Chinese Investment in Africa and Implications for International Relations, Consolidation of Democracy and Respect for Human Rights: The Case of Zambia,” was written and presented to the Harvard University Committee on Human Rights Studies by Mr. Micheal Chilufya Sata in 2007, prior to his becoming the President of Zambia. The paper highlighted China’s recent involvement in the exploitation of Africa’s natural resources and the concerns it has attracted both within and outside the African continent. In his paper, Sata stated that China’s recent march into Africa was in search of natural resources, especially oil, timber and base metals to guarantee survival for its people. He reiterated that Chinese involvement in Africa was critical to stability and unity, as it was a global power. He pointed out that since China is the continent’s third largest investor in Africa, it has an influence on how African countries related with other countries globally. The current status quo enhanced China’s influence on the continent and had a bearing on the conduct of international relations, especially in the 48 African countries that have diplomatic ties with China.<sup>60</sup>

Sata argued that the increased China and Zambia relations had negative implications on Zambia’s democracy and human rights record because of Chinese policy not to interfere in other countries’ domestic affairs. He explained that most African

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<sup>60</sup>Michael Sata, “Chinese Investment in Africa and Implications for International Relations, Consolidation of Democracy and Respect for Human Rights: The Case of Zambia” (Paper, Harvard University, Cambridge, MA, 2007), 2.

countries, including Zambia, had just embraced democracy and had a poor record of human rights. Sata contested that China's involvement in Africa had greater implications on the continent and cited poverty as one of the loop holes China used to exert its influence on the continent. Sata, like Mwanawina, traced Chinese influence in Zambia to the pre-independence era when the country was fighting liberation wars. Sata's study related increased Chinese interests in Zambia to privatization. He explained that Chinese direct investment in Zambia began when the GRZ decided to privatize its previously nationalized firms. The Chinese acquired the Chambishi Copper Mine and Sinazeze Coal Mine. Due to corruption the Chinese were given favorable terms including generous tax exemptions for 15 years and permission to export unprocessed ores to China. The tax exemptions were later extended to the other companies like Glencore, First Quantum Minerals and Vendata Resources that acquired other copper mines. Although the tax exemptions were to be reviewed in 2005, the GRZ did not, because of its strong ties with the China.<sup>61</sup>

Sata concluded that increased Chinese influence in Africa threatened the consolidation of democracy and respect of human rights because China did not subscribe to such values. Sata argued that China perceived human rights as a contentious ideological issue. He contended that China's attraction to Africa was not by accident but due to natural resources and a potential resettlement for its surplus population.<sup>62</sup>

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<sup>61</sup>Sata, 7.

<sup>62</sup>Ibid., 11.

## Chinese Investors in Zambia's Copper Sector

Dan Haglund, in his paper entitled “Chinese Investors in Zambia; Is it for a Long Term?” explored how foreign investors’ governance characteristics influence investments in host nations using Zambia as a case study. He argued that, governance features of Chinese companies (such as a networked business model, low-cost strategies and a reliance on the support of the Zambian government) affect Chinese managers’ incentives as well as their ability to engage constructively in long-term labor and social issues. He explained that while mining investment is by nature a long-term endeavour, the way it was implemented in Zambia promoted short-term strategies that did not address social responsibility and environmental impacts.<sup>63</sup>

Haglund argued that Chinese investors’ reliance on the state as a broker undermined the long-term stability of investments, because their prospects became intertwined with the political fortunes of sitting governments. He explained that the engagement of host governments as brokers may have appeared to reflect China’s non-interference policy that encouraged African states to exercise control over their domestic political situation, when in fact it did not. In his study, he likened the Chinese way of doing things to an ostrich-like approach, where it does not directly engage with the public as a Chinese strategy of avoiding long-term commitments in Zambia. This in turn only serves sitting governments, and from this, it could be deduced that economic activities do have an influence on the governance of a nation.

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<sup>63</sup>Dan Haglund, “Chinese Investors in Zambia; Is it for a Long Term?” in *Chinese Investors in Zambia; Is it for a Long Term?* (Cambridge, UK: Cambridge University Press, 2007), 1.

In his analysis, Haglund indicated that the notion of political embeddedness, once addressed in Zambia, would serve as a model for other African countries that shared Zambia's predicament of resource dependence, which despite having increased, is marred with political interference and regulatory incapacity. He concluded this aspect by stating that, although Chinese firms have remarkably improved their behavior in Zambia, there was still an unwillingness and inability to internalize the stakeholder's concerns. This in a way compromises the longer term stability and viability of investments preferred by many Zambians.

In the second part of his paper, Haglund discussed the relevance of Zambia's copper mining in detail. He gave a brief overview of the political economy of mining in Zambia, placing Chinese investment in perspective. He explored how governance in Zambia influences Chinese investment and the propensity to engage in short-term strategies, including the implications on China's contribution to Zambia's development agenda.<sup>64</sup>

Haglund reiterated that Zambia was a relevant location to explore China and Africa relations because of the historical relationship between China and Zambia, the strategic role Zambia plays in Beijing's current foreign policy, and the contested nature of some more recent Chinese experiences in the country. He cited the 1970–1975 construction of the TAZARA railway between Zambia and Tanzania as a symbolic gesture by China to the African continent. The execution of such a large scale project, emblematic of modernization, represented a Chinese foreign policy achievement and both countries have repeatedly referred to it in various political forums. He explained that

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<sup>64</sup>Haglund, 12.

Zambia's strategic role within Beijing's present-day foreign policy has also been evidenced in China's decision to establish the first of China's five African preferential trade and investment special economic zones in Zambia. This was announced at the Forum on China and Africa Co-operation in 2006. "Reflecting the country's role as Africa's largest copper producer, Chinese investment into Zambia has to date focused on the mining sector."<sup>65</sup>

On the other hand, Haglund also pointed out that China's current influence in Zambia was socially and politically contested by the general citizenry. He cited the aftermath of an accident that destroyed the Chinese Beijing General Research Institute of Mining and Metallurgy explosives factory in April 2005,<sup>66</sup> taking the lives of over 50 Zambian workers, and breaches in safety and other regulations as some issues that led to the anti-Chinese sentiments in the lead up to general elections in October 2006.<sup>67</sup> He explained that the popular opposition party Patriotic Front, led by Michael Sata, campaigned on evicting the Chinese and re-establishing ties with Taiwan. This posed a threat to the incumbent Movement for Multi-Party Democracy.<sup>68</sup> Three months later, in February 2007, the levels of protests prevented President Hu from travelling to Chambishi in the Copperbelt province to inaugurate the special economic zones. Haglund

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<sup>65</sup>Mining represents three-quarters of recent Chinese investment according to Zambia Development Agency, "Mining," <http://www.zda.org.zm/content/mining> (accessed 20 July 2013).

<sup>66</sup>BBC News, "Dozens Killed in Zambia Explosion," 21 April 2005, <http://news.bbc.co.uk/1/hi/world/africa/4466321.stm> (accessed 20 July 2013).

<sup>67</sup>Haglund, 9.

<sup>68</sup>*Ibid.*

further explained that in March 2008 some 500 Zambian workers constructing the Chambishi Copper Smelter in the special economic zones put down their tools and attacked Chinese management over a deadlock in wage negotiations.<sup>69</sup>

Dan Haglund's study was drawn from five months of his Ph.D. field study between July and December 2007 in Zambia. He conducted semi-structured interviews with representatives of various groups comprising respondents of the political economy of copper mining in Zambia. His data collection focused on four major foreign mining companies: Nonferrous China-Africa (NFC A), Konkola Copper Mines, First Quantum and Chambishi Metals, being firms that accounted for approximately half of Zambia's copper production in 2007. NFC A is the largest of eight Chinese mining companies operating in Zambia.<sup>70</sup> Its operations were politically embedded in China's Africa policy and it is through NFC A that China established the Chambishi special economic zones. An initial investment of USD 800 million was targeted for the economic zone.<sup>71</sup> Haglund explained that according to data collected from the Zambia Revenue Authority in 2006, fiscal revenues amounted to USD 200 million, on the basis of USD 3.1 billion in copper sales. The low receipts coming from the mining sector indicated various Chinese

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<sup>69</sup>Haglund, 9.

<sup>70</sup>China Nonferrous Metal and Mining Group, "China Nonferrous China-Africa," <http://www.cnmc.com.cn/en/index.asp>. (accessed 20 July 2013). NFC A is a subsidiary of the state-owned China Nonferrous Metal and Mining Group (CNMC), China's 29th largest outward investor by value in 2006.

<sup>71</sup>The Thomas Reuters Foundation, "Zambia Wins Chinese Investment, Opposition Snubbed," *Reuters*, 3 February 2007, <http://www.alertnet.org/thenews/newsdesk/L03330799.htm> (accessed 20 July 2013).

investment incentives provided for under the state-investor arrangement.<sup>72</sup> These contractual arrangements were revoked in April 2008, and this significantly raised the effective tax rate, despite the subsequent fall in the copper price which led to the GRZ's cancellation of some of the proposed taxes.<sup>73</sup>

In his findings on whether increased Chinese relations in the mining sector were good or bad for the long term, Haglund stated that commercial ties between NFCA and new investments into the tax-free zone were incorporated in organizational governance structures. The Chambishi special economic zones is managed by a zone development company, headed by former NFCA Chief Executive Officer Tao Xinghu, who selected companies to invest.<sup>74</sup> With regard to ongoing operations, usually representation comes through the Chinese government, through the China Non-Ferrous Metal and Mining Group. Therefore, in a way, government-to-government discussions do help streamline the way investors operate.<sup>75</sup> From this, it implies that close links with local political elites constitute a form of political embeddedness. Instead of engaging directly with affected parties, NFCA expects the Zambian government to broker the company's relationships with local actors.<sup>76</sup> An example is when Chinese Deputy Minister of Commerce Gao

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<sup>72</sup>The Thomas Reuters Foundation.

<sup>73</sup>Ibid.

<sup>74</sup>Haglund, 9.

<sup>75</sup>Ibid.

<sup>76</sup>This broker function also works through the Chinese Embassy, such as during the GRIMM situation which one informant notes quickly became a "government-to-government" issue.

Hucheng, while visiting Zambia in February 2008, called on the Zambian government to facilitate meetings with stakeholders to brief them on projects and their impacts.<sup>77</sup>

The role of the Zambian government as a broker is enabled by the legitimizing effect of its “foreign direct investment-friendly” discourse, as well as direct interaction either formal—through the board representation provided by the minority equity stakes retained by government—or informal mechanisms. The latter include ad hoc courtesy calls, visits by firms to the Ministry of Mines, as well as the practice whereby large mining companies discuss foreign direct investment and Chinese investment addressing areas being contested by a majority of Zambians. It is evident that the role of the Zambian government in Chinese investment in copper mining indicates political embeddedness in the economic sector, and is not in the best interests of the government or the Zambian citizens.

#### Winner Take It All: China’s Race for Resources and What it Means for the World

Dambisa Moyo, in her book *Winner Take It All: China’s Race for Resources and What it Means for the World*, explained the commodity dynamics faced by the world, focusing on the implications of China’s rush for resources in the world. She stated that the scale of China’s resources campaign of hard commodities (minerals and metals) and soft commodities (water and foodstuffs) is among the most aggressive in history. Their

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<sup>77</sup>AllAfrica, “Chambishi Jobs for Citizens—China,” *Times of Zambia*, 28 February 2008, <http://allafrica.com/stories/200802280057.html> (accessed 20 July 2013).



efforts surpass even the voracious demand for raw materials sparked by the industrial revolution.<sup>78</sup>

In the last decade, China has risen from a relatively insignificant position to a pole position in underwriting numerous resource related transactions across the globe.<sup>79</sup> Moyo explored resource dynamics the world is likely to face and the implications of China's rush across all the regions of the world. This book is very important for this study as it addresses China on the global arena before focusing on Africa. Moyo noted that in the last decade China focused its economic and political strategy on anticipating the considerable challenges posed by the resource scarce future. Her book tackled three broad themes: Economic implications of China's ascendancy as a lead buyer of world's resources, China's growing financial reach and its implications on global markets,<sup>80</sup> and social and political implications of China's quest for resources.<sup>81</sup>

In these themes, Moyo explained how China funds governments and pays for infrastructure projects, especially in developing countries.<sup>82</sup> Thereafter, it points out how China has become the marginal buyer and is purchasing global resources in disproportionate volumes, hence impacting on global and national markets and concludes

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<sup>78</sup>Dambisa Moyo, *Winner Take It All: China's Race for Resources and What it Means for the World* (New York, NY: Basic Books, 2012), 1.

<sup>79</sup>*Ibid.*

<sup>80</sup>*Ibid.*, 4.

<sup>81</sup>*Ibid.*

<sup>82</sup>China funds governments through loans and buying their bonds, and pays for infrastructure projects like railway and roads particularly in poor countries, making it as an attractive investor.

by arguing that China's role did not only impact on economics and finance but geopolitics, but determined how people related with their governments.<sup>83</sup>

On the rise of China as one of the global economic powers, Moyo explained that China's foreign reserves are in excess of USD 13 trillion dollars which gives it the impetus to go where other countries cannot go in search of resources.<sup>84</sup> She pointed out individuals, corporations and the Communist Party as agents of China's success story. The three entities are synchronized under one agenda that lead to a strong Chinese economy. The Communist Party implements a centralized command and control system of the Chinese economy and sponsors and influences the behavior of state owned enterprise.<sup>85</sup> The state owned enterprises practice state led capitalism where the government plays a central role in driving profit making. She reiterated that all Chinese economic actors are focused on appeasing the Communist Party which regulates and funds them.<sup>86</sup> This implies that political embeddedness plays a significant role in Chinese economic activities.<sup>87</sup>

In discussing, China's rush for resources, Moyo saw the Chinese population dynamics being center stage for its economic interests. She explained that by 2010,

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<sup>83</sup>She explains that China's influence can have a positive impact if it helps raise per capita incomes and reduce poverty in host nations, or negatively if it makes governments strong to an extent that they ill-treat their people.

<sup>84</sup>Moyo, 6.

<sup>85</sup>Ibid.

<sup>86</sup>Ibid.

<sup>87</sup>Members of the communist party are strategically placed in influential positions in all sectors to ensure the party's national purpose is attained.

China's gross domestic product had grown to USD 4 trillion since 2000, implying that more economic growth generated more wealth, which in turn triggered higher commodity demand.<sup>88</sup>

Moyo emphasized that China's pursuit of global commodities is driven by its seemingly insatiable demand for an array of resources to drive economic growth and reduce poverty. "Between 2005 and 2011, China had already engaged in over 350 foreign direct investments valued at more than USD 400 billion, much of which was in natural resources."<sup>89</sup> In 2007, the top recipients of Chinese foreign direct investment in Africa included South Africa, Nigeria, Sudan, Zambia, Algeria, Niger, Egypt, Mauritius, Ethiopia, Democratic Republic of Congo and Angola.<sup>90</sup> This means that apart from growth on the global stage, it equally has increased interests in Africa.

On China's interactions with Africa in relation to the U.S. engagements with the continent, Moyo pointed out that China lends the U.S. government money by buying its bonds and is still able to make significant aid transfers to African countries. She explained that China's strategy has mainly targeted Africa and with the U.S. its strategy had been symbiotic.<sup>91</sup> On U.S. perceptions on China in Africa, Moyo cited the Africa Growth Opportunity Act of June 2011 where a U.S. position was made. "U.S. Secretary of State Hillary Clinton cautioned that Africa must beware of new colonialism and

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<sup>88</sup>Moyo, 17.

<sup>89</sup>Ibid., 25.

<sup>90</sup>Ibid., 79.

<sup>91</sup>Ibid., 76. Economic symbiosis occurs in Chimerica relationship, where China has lent vast amounts of money to the U.S. government in return for virtually unshackled access to America's consumer market.

reminded the audience to be wary of what happened in the colonial times, where it was easy to come to Africa, take natural resources out, pay off leaders, and leave.”<sup>92</sup>

In her analysis, Moyo argued that Africa’s opinion of Chinese investment is generally positive as evidenced by their commitment to infrastructure development which is much needed by developing countries.<sup>93</sup> She reiterated that the Chinese had little interest in controlling host countries’ political processes. However, she pointed out that social issues should not fall on Chinese investors but governments of host nations. Moyo emphasized that governments must provide the public good, formulate policy and regulate societal functions. She explained that while China may have the potential to swing government policy in their favor, governments had the ultimate responsibility for sociological, economic and environmental landscapes.<sup>94</sup>

On Western powers, Moyo stated that their involvement in African affairs had done a lot in transforming governance across the continent. She however, bemoaned their approach in providing aid without monitoring changes. She suggested a complete overhaul in the approach that promotes economic growth. Therefore, whilst Chinese efforts in Africa are visible in the short-term, there is need for the West to change their policies to incorporate measurable benefits. An approach that promotes measurable visible benefits is cardinal in developing nations.

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<sup>92</sup>Moyo, 156.

<sup>93</sup>Ibid., 170.

<sup>94</sup>Ibid., 171.

## China and Africa: Engagement and Compromise

In his book *China and Africa: Engagement and Compromise*, Ian Taylor accounted for China's rise in Africa as the largest developing country in the world.<sup>95</sup> He argued that despite China's claims that its presence in Africa was purely for economic cooperation, it sees it as an opportunity to advance its influence as a global figure.<sup>96</sup> Taylor remarked that China perceives itself as a regional power seeking to secure an identity on the continent. He reiterated that China's advances are aimed at restoring its place in world politics. "At the opening of the Sino-Africa forum in the late 2000, it was claimed that whilst Africa is a continent with the largest number of developing countries, China is the largest developing country in the world."<sup>97</sup>

Taylor emphasized that the hegemonic ambitions of other states in the international system had been a major concern of Chinese policy. He explained that this was evident in China's interests to pursue political and economic activities in weaker undeveloped nations in Africa. In doing this, China's foreign policy had remained both reactive and proactive. Taylor also stated that apart from the anti-hegemonic approach adopted by China, it reviewed its perception of world economic and political systems.<sup>98</sup> "Africa remains of value to China in its crusade because of the influence developing nations possess in the United Nations, and because Africa provides a large support base.

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<sup>95</sup>Ian Taylor, *China and Africa: Engagement and Compromise*, *Contemporary China Series*, 2007 (New York, NY: Routledge, 2006), 2.

<sup>96</sup>*Ibid.*

<sup>97</sup>*Ibid.*, 3.

<sup>98</sup>*Ibid.*

After all, every state possesses one vote in the United Nations – no matter how small or impoverished that state maybe.”<sup>99</sup> Whilst China’s priorities in the last decade have been focused on economic growth and cooperation, its political approach has remained constant in the developing world and Africa.

In Africa, Taylor specifically pointed out southern Africa as the focus of Chinese policy in the post-Mao era. He explained that southern Africa provided historic allies, ready to support China’s economic interest. “The clear evidence of this was made in the statement made around the time of Tiananmen Square, when China started to rediscover its developing world allies, at the critical point were the third world countries and others that were sympathetic to its policies.”<sup>100</sup> This was the starting point for the renewal of China’s relations in Africa.

Taylor pointed out that with the breakdown of bipolarity and disintegration of the Soviet Union, China resurrected its anti-hegemonic posture and argued that following the evolvement of globalization, developing nations should be wary of the western influence and devise mechanisms to contain the effects. Given the Chinese perception, Taylor argued that China views the developing world as a third force independent of any major powers. Accordingly, on the economic front, Africa has seen Chinese economic expansion with a record of USD 32.17 billion invested in the first 10 months of 2005.<sup>101</sup>

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<sup>99</sup>Taylor, 3.

<sup>100</sup>Ibid., 4.

<sup>101</sup>Ibid.

The book, *China and Africa: Engagement and Compromise*, cited China's first engagement in support of the independence struggle and economic programs in Africa, and explained the significance of the southern African region. In specific terms, Taylor also emphasized the role South Africa plays in the region as a political and economic hub. "Any discussion of China's African policy cannot avoid a discussion of Chinese links with South Africa and the whole southern African region which is viewed as emblematic of various historical and current tendencies that trailed Chinese engagement with the wider continent."<sup>102</sup> Taylor stated that from the anticolonial era, to Sino-Soviet antagonism and the contemporary era of economic expansion, southern Africa remains at the forefront and hence it is logical to focus on it.

Having covered China in Africa and southern Africa, it is important now to look at China in Zambia, as this puts the study in context. After the introduction of a Soviet presence on the borders of Zambia with Angola and the death of Mao in 1976, China maintained bilateral relations with Zambia. At this stage, Zambia was a useful vehicle for China to exert its influence in the region after the Soviet Union established itself in Angola. In 1976, China approved Zambia's campaign to oppose the super powers in the region.<sup>103</sup> Zambian leaders admonished the super powers and asserted that their influence destabilized the sub-region. During this time, most of the bases belonging to freedom fighters based in Zambia were attacked and the country remained committed to China, which provided it with political and economic assistance.

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<sup>102</sup>Taylor, 4.

<sup>103</sup>Ibid., 170.

China remained helpful to Zambia, initiating a number of projects that facilitated economic development. Taylor stated that the importance of Chinese relations with Zambia was also evident from the outstanding debt Zambia owed China and the landmark TAZARA linking Zambia to the sea port at Dar es Salaam. From time to time, Zambians have described China as an all-weather friend.<sup>104</sup>

In the last decade, China strengthened its bilateral relations with Zambia, following its economic policy changes. At the same time, Zambia increased production from its copper mining sector where the Chinese are involved. Taylor explained that Chinese economic reforms at home massively increased the demand for copper. He noted the increase in copper production in Zambia since 2000 and an annual rise in Chinese copper demand and imports due to industrial needs.<sup>105</sup>

Taylor explained that the first Chinese overseas non-ferrous metal mine with a total investment of USD 150 million became operational in Zambia in 2002. As Chinese demand for copper rose, more mines were secured in Zambia. By 2006, seven Chinese companies had invested USD 170 million in the Zambian copper mining sector. Other base metals, which China invested in, include coal, manganese, cobalt, zinc and lead.<sup>106</sup>

However, despite all these investments, problems continue with Chinese business procedures in Zambia.<sup>107</sup> This is mainly in the areas of environmental protection and safety, and corporate social responsibilities in communities they operate from. Many

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<sup>104</sup>Taylor, 170.

<sup>105</sup>Ibid., 179.

<sup>106</sup>Ibid.

<sup>107</sup>Ibid.



cases of pollution and accidents have been reported since the Chinese started operating the mines. “Chinese mining companies are state owned and as such are not responsible to shareholders or restricted by regulatory and reputational concerns in the same way that western countries’ firms are.”<sup>108</sup> Taylor noted that the Zambian government rushed in to downplay concerns over safety standards and Chinese guidelines remains a source of concern in Zambia and elsewhere in the region.

In his concluding remarks, Taylor noted that Zambia is one of the countries in Africa with the warmest relations with China. The historic relationship was based on countering the superpowers’ influence in the region, and currently the relations are based on economic cooperation which promotes mutual benefits.<sup>109</sup> From Taylor’s book it is clear that the Chinese relationship with Zambia is historic, and has transformed from political to economic interests. However, the Zambia government has to devise a regulatory policy to draw enough benefits from the increased economic relations.

### Conclusion

Despite there being no study that specifically addresses the primary research question, this paper reviewed official documents highlighting policy of both China and the U.S. in Zambia and some cases studies and books related to the study. The paper also reviewed Zambia’s foreign policy document and the SNDP. The two documents are significant in that they portrayed the country’s efforts in attaining economic development.

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<sup>108</sup>Taylor, 179.

<sup>109</sup>Ibid., 180.

The literature reviewed was adequate to form a solid understanding to orient the study. The next part of this chapter highlights the methodology undertaken in the study.

### Research Methodology

This second part of chapter 2 describes the methodology adopted in the study: Increased economic relations between China and Zambia in the last decade: What are the implications for Zambia's relations with the U.S.? The hypothesis driving the study being: The increase in Chinese and Zambian economic relations will affect the nature of the relationship between the U.S. and Zambia.

The second part of chapter 2 explains the methodology adopted in the study through which the analysis will be conducted. The methodology focuses on analyzing the nature of increased China and Zambia relations with specific reference to economic activities in the areas of mining, infrastructure development, manufacturing, agriculture, tourism, education, and health.<sup>110</sup> The issue is whether, through increased relations, Zambia stands to gain, lose or if it is a zero-sum game. In this study, gain, loss and zero-sum, implies a relative increase, reduction and constant in monetary or economic activities over a period time, respectively.

Thereafter, the U.S. activities in support of Zambia's economic development were analyzed to determine if they increased or if there were areas of overlap or potential

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<sup>110</sup>Nature in this case implies interests or the forces and processes behind the increased economic relations between China and Zambia. Why the increase and are the relations symbiotic, synergistic or indeed parasitic?

conflict in relation to those of the Chinese.<sup>111</sup> This was done bearing in mind the areas of U.S. interactions that may be directly or indirectly affected by the increase in Chinese activities in Zambia. The interactions in this respect being inclusive of the U.S. interests in embracing effective partnerships in Africa according to the U.S. policy on Sub-Saharan African. The specific areas looked at in addressing U.S. activities in Zambia were the promotion of good governance and human rights, poverty alleviation, preservation of the environment, and development of human capacity including investments in Zambia's economy. A qualitative approach<sup>112</sup> was employed to comparatively evaluate the various policy documents, case studies and books reviewed to address the secondary research questions which helped answer the primary research question.

### Research Design

As highlighted in a study by Anne-Marie Ambert, qualitative methods trade comparative objective studies of a broad range of subjects for depth, to create

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<sup>111</sup>Conflicts will result if the nature of increased China and Zambia relations negate efforts made by the U.S. through its programs within the partnership that exists between the U.S. and Zambia

<sup>112</sup>Sage, "Qualitative Research," [http://www.sagepub.com/upm-data/48453\\_ch\\_1.pdf](http://www.sagepub.com/upm-data/48453_ch_1.pdf) (accessed 10 August 2013). Qualitative research is one of the two major approaches to research methodology applicable in social sciences. It entails an in-depth understanding of human behavior and reasons that govern human behavior. Unlike quantitative approach, qualitative research relies on reasons behind a phenomenon. It addresses the why and how as opposed to the what, where and when in quantitative research. Qualitative research employs smaller but focused samples, which are categorized into data patterns as a primary basis for organizing and reporting results. Unlike quantitative research, which primarily relies on numerical or quantifiable data, qualitative research employs data in which comes in many forms; text, sound, still and moving images.

understanding of salient finite points. Qualitative methods focus on how and why people behave, think and make meaning, rather than focusing on what people do or believe on a larger scale. Another benefit she put forward is that the qualitative methods enable the researcher to analyze data from the macro to the micro level without risking analytical integrity by having to compare the proverbial apples to oranges.<sup>113</sup>

According to Ellen Taylor-Powell, in order to analyze qualitative data, the researcher must know the material, focus the analysis and group the information by identifying trends which are later grouped in a coherent manner. The researcher then interprets the data by attaching meaning and value to the analysis.<sup>114</sup>

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<sup>113</sup>Anne-Marie Ambert, *Qualitative Research Methods* (Toronto, Canada: York University–Sociology, 1995), 4.

<sup>114</sup>E. Taylor-Powell and M. Renner, *Analyzing Qualitative Data* (Madison, WI: University of Wisconsin-Extension, 2003), 8.

## Data Collection and Analysis

Table 1. Description of Control Variables

Serial	Control Variable	Description
1.	Mining	The prospecting, exploration and exploitation of base metals particularly copper and its by-products.
2.	Infrastructure development	All forms of construction and rehabilitation in railway, roads, buildings, airports, and service facilities
3.	Manufacturing	The processing of the raw materials to produce finished goods. It covers all value addition activities.
4.	Agriculture	All programs aimed at promoting food security and better methods of farming to reduce poverty.
5.	Tourism	Earnings from outside visitors and contributions to the hospitality industry in expenses.
6.	Education	All forms of educational programs and skills training to empower the people and transfer technology.
7.	Health	All activities promoting healthy, fighting disease, environmental impact assessments, preservation, and awareness activities including safety at work places.

*Source:* Created by author based on the data reviewed.

To answer the research questions, a relationship between the independent and dependent variables was determined based on the literature reviewed and the impact of increased Chinese economic activities on each individual control variable was evaluated to determine the effect. The interpretation of this being that the independent variable served as an input, manipulated with the key variables which serve as programs to

produce the dependent variable in the form of output or effect. The criteria of input, process and output was then applied in answering the secondary questions and also to test the hypothesis to form a basis for findings and a conclusion.

#### Evaluation Criteria

Independent Variable (Input)–Control variables (Process)–Dependent variable (Output)

#### Primary Research Question

To what extent will improved China-Zambia relations change the U.S.-Zambia relations?

#### Secondary Research Questions

In order to address and support the primary research question, it is important to answer the following secondary research questions:

1. What is China's relationship and interests in Zambia?
2. What is the U.S. relationship and interests in Zambia?
3. What is the U.S. policy on China and Africa relations?
4. What are the overlapping areas in China-Zambia and the U.S.-Zambia relations?
5. Is the Chinese and U.S. relationship with Zambia zero-sum or mutual?

In addressing the secondary questions: What is the nature of China's relationship with Zambia; and what are China's interests in Zambia? The study reviewed seven documents, that is; two official policy documents, three case studies and two books treating the subject of China and Zambia relations. The two policy documents, namely,

the Forum on China-Africa Cooperation and the *Chinese Government White Paper on China-Africa Economic and Trade Cooperation*, were significant to the research in that they provided an official position on China's relations with Africa, including Zambia. The three case studies and two books, despite not directly addressing the primary research question, provided a sound basis on which findings will be drawn.

### Data Presentation

After answering the secondary questions, results were depicted graphically to show the relationships between the independent and dependent variables, and correlate the findings to the primary research question. The control variables indicated whether the relations are parasitic, symbiotic or synergistic, and are highlighted in table 2. To determine the relationships, the study assigns "High" in respect to the control variables where only either China or the U.S. is involved and Zambia draws maximum benefits, "Medium," where both countries are involved but one's commitment does not measure up to the other country's and Zambia does not draw maximum or low benefits. "Low" will be assigned if Zambia's benefits do not measure to either "High" or "Medium." Where neither country is involved, a "Low" is recorded. The values for high, medium and low are indicated as 3, 2, and 1 respectively. The resultant sum totals for the control variables are then used to answer the question of whether or not Zambia stands to gain or lose in its relationship with China, and form a basis for recommendations. Whether the relationship is parasitic, symbiotic, and synergistic, was determined by the benefits Zambia draws from either China or the U.S.<sup>115</sup>

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<sup>115</sup>In this study, parasitic refers to a relative sector commitment where Zambia draws benefits from either China or the U.S. and cannot do without that particular

Table 2. Relationship between Independent and Dependent Variables

		Parasitic	Symbiotic	Synergistic
Mining	U.S.			
	China			
Manufacturing	U.S.			
	China			
Infrastructure development	U.S.			
	China			
Agriculture	U.S.			
	China			
Tourism	U.S.			
	China			
Education	U.S.			
	China			
Health	U.S.			
	China			
Totals	U.S.			
	China			
Grand Totals				

Key: High Benefits – 3, Medium Benefits – 2, Low Benefits – 1

*Source:* Created by author based on the data reviewed.

### Reliability and Validity of Data

Taylor-Powell suggested that for a study to avoid personal biases influencing the results of an analysis, the researcher should use several sources of data, track their choices and involve others in a methodical manner. Therefore, this study employed a methodical five step analysis process: Know the data; focus the analysis; categorize the

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country, “symbiotic,” where both Zambia and the country involved in the sector draws mutual benefits, and “synergistic,” in the case where Zambia draws benefits from both China and the U.S.



information; identify patterns and connections within and between categories; and interpret the results.<sup>116</sup>

The reliability of the information was enhanced by the use of credible sources ranging from official policy documents, case studies, books, and official statistics. Due to the reliance on the qualitative research methods used in the study, the approach to analysis is based on descriptions. Accordingly, a comparative analysis of China and the U.S. in Zambia was adopted throughout. This created the understanding of the implications of the increased economic relations between China and Zambia on Zambian bilateral relations with the U.S.

The resultant findings of the study were then employed to suggest a strategy that Zambia could formulate to achieve synergy and avoid implications that maybe detrimental in its trilateral relations with China and the U.S. in the recommendations. Zambia, being a relatively small country on the global stage, remains dependent on foreign investment and relations with both trade partners and donor countries. As such, the rise of China's presence in Africa, and the management of East and West tensions, becomes an important issue to the country. The methodology employed was significant in determining the interplay in Zambia's trilateral relationship and findings which were pertinent in Zambia's formulation of its trilateral strategy.

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<sup>116</sup>Taylor-Powell and Renner, 16.

## CHAPTER 3

### ANALYSIS

Chapter 3 provides a detailed qualitative analysis of the study: Increased economic relations between China and Zambia in the last decade: What are the implications on Zambia's bilateral relations with the U.S.? The study is driven by the hypothesis: The increase in Chinese and Zambian economic relations will change the nature of the relationship between the U.S. and Zambia. It provides findings before making a conclusion and recommendations on how Zambia could best benefit from her multilateral relations without conflicting U.S. interests in Zambia. The issue of concern being, how Zambia as a developing country finds itself in a strategic dilemma-how to interact with China without conflicting the U.S. interests in Zambia and what benefits it could draw from such relations to achieve synergy.

To effectively analyze the data, this chapter first looks at the nature of China and Zambia relations answering the first two secondary questions that specifically address increased Chinese and Zambian relations. Secondly, this chapter in specific terms addresses the U.S. relationship with Zambia, its interests in the country. In studying the U.S. in Zambia, it was also necessary to address the U.S. views on increased China and Africa relations as applied to Zambia.

Third, this chapter critically analyzes the private foreign investment inflows by China and the U.S. in Zambia over a consecutive timeframe within the period covered by the study (2002-2012) to determine the trends and test the hypothesis. Thereafter, the analysis of Chinese and the U.S. involvement in Zambia's economic sectors identifies potential areas of overlap in U.S. interests in Zambia, and lastly determines whether

Zambia, in its relationship with China, stood to gain, lose, or is the increased relationship a zero-sum game for Zambia.

In the end, the findings obtained from the analysis are further re-examined against the primary research question: Increased China and Zambia economic relations in the last decade: Will improved China-Zambia relations change the U.S.-Zambia relations? To form a conclusion and recommendations on which strategy Zambia could adopt to draw synergy from the trilateral relationship that exists with both China and the U.S.

### China's Relationship and Interests in Zambia

The nature of China's relationship with Zambia can be determined using historic, policy, and scholarly perspectives. According to history, the relationship between China and Zambia dates back to Zambia's pre-independence era when China provided financial and material support to political parties that were involved in the struggle for independence. After independence in 1964, up to 1980 when the copper prices fell on the London Metal Exchange, the relationship was based on infrastructural development. Prominent among the projects undertaken in Zambia during this period was the TANZARA Railway constructed to link Zambia to the sea port of Dar es Salaam on the Indian Ocean. During the period, 1980 to 1999 the two countries' relations remained at mere friendship level, as both countries faced economic challenges.

The current and most significant period in terms of China and Zambia relations range from 2000 to date. During this period, China experienced economic growth and Zambia had shifted its policy focus from supporting the liberation wars within the southern African region to promoting sustainable economic growth. During this stage,

Zambia also changed its system of governance from a one-party system of governance to a multiparty system.

Having analyzed the nature of Chinese and Zambian relationship from a historic perspective, what then is the nature of China and Zambia's relations as deduced from the policy documents reviewed? According to FOCAC 2000, China's relations with African countries, Zambia inclusive, are based on the premise of fostering strong friendly cooperation and improving jointly to meet economic challenges posed by globalization. To achieve this, China strives to promote common development based on mutual benefits. Other than building strong ties to meet economic challenges, FOCAC 2000 provides a diplomatic platform where China and Zambia can set the direction and consolidate their bilateral relations. It also highlights the need for long-term stable partnerships, equality and mutual benefits. Accordingly, FOCAC devised action plans which have been repeatedly reviewed to strengthen high level economic cooperation and international relations, political trust, commitments on human development, and infrastructural development with African countries like Zambia. Therefore, the nature of China and Zambia relations as defined by FOCAC 2000, are based on high level economic cooperation, strengthening political trust, and infrastructure and human development. In this arrangement, China and Zambia bilateral relations respect equity and mutual benefits.

According to the Chinese government *White Paper* China's bilateral relations with Zambia are focused on political, economic and development cooperation. The *White Paper* further explains the nature of Chinese bilateral relations as being based on five pillars namely: Sincerity, friendship and equality, mutual benefits, reciprocity and

common prosperity, mutual support and close coordination. Also included in the *White Paper* is the One China principle, which forms the cornerstone of China's bilateral relations.

Arising from the historic and policy perspectives, the ideal nature of China and Zambia relations can be said to be based on political, economic, infrastructural development and capacity development. FOCAC 2000 emphasizes the provision for a diplomatic platform for China and Zambia to direct and consolidate their relations and the *White Paper* stresses the five pillars and the One China policy in addition to political, economic and development relations. From the documents analyzed, the One China policy stands out as the cornerstone to Chinese bilateral relations. Therefore, it can be deduced that the ideal nature of China and Zambia relations according to precedence is based on recognition of One China policy, economic cooperation, political support, infrastructural development and lastly capacity development.

If the above analysis on the policy documents defined the ideal nature of Chinese and Zambian relations, what then is the nature of China and Zambia relations as defined by academic scholars? Inyambo Mwanawina, in his study *China and Africa Economic Relations: A Case of Zambia*, examined the nature and scope of investment in Zambia. Mwanawina hinted that Chinese investment in Zambia was centered on raw materials extraction, particularly the mining sector. He further remarked that by 2007, China had contributed 47 percent of all total pledged investments in Zambia. This was despite rising

concerns over China's poor working conditions and disregard of environmental and safety rules, including Zambian labor laws in general.<sup>117</sup>

Mwanawina concluded that China's relationship with Zambia was at the bilateral level and that trade between the two countries had substantially increased by 2007 with the largest being Chinese imports of base metals comprising unprocessed mineral products or ore from Zambia. However, he noted the smaller imports from China on the part of Zambia at three percent of the total imports in 2006. Mwanawina also reported that China was the highest non-Paris Club creditor to Zambia, mainly due to the TAZARA project. He also noted that all bilateral agreements between China and Zambia were confidential and lacked public scrutiny.<sup>118</sup>

Another study from which we can draw conclusions to answer the question regarding the nature of China-Zambia relations is, "Chinese Investments in Africa and its Implications: A Case of Zambia" by Micheal Sata. In this paper, he examined China's involvement in the exploitation of natural resources in Zambia and its implications on international relations, democracy and human rights. Sata stated that China's recent march into Africa was in search of natural resources to guarantee the survival of its people and maintaining hegemonic influence on the continent. He observed that the increased China and Zambia relations had implications on Zambia's democracy and human rights, and argued that China exploited loopholes by taking advantage of the government's poverty alleviation agenda to foster its interests.<sup>119</sup>

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<sup>117</sup>Mwanawina, 23.

<sup>118</sup>Ibid., 24.

<sup>119</sup>Sata, 2.

The other scholar who provided insights on the nature of China and Zambia relations is Dan Haglund. In his paper “Chinese Investors in Zambia, Is it for a Long Term?” he explored how the Chinese government influenced Chinese investments in Zambia. He argued that even though the mining sector called for long-term strategic investment, the way it was implemented in Zambia promoted short-term strategies that did not address social responsibility and environmental impact awareness.<sup>120</sup>

Haglund cited that Chinese investors’ engagement of the Zambian government as a broker in investment opportunities undermined long-term strategic investments, because negotiations were tied to the political power in government at a time. He noted that the Chinese government’s deliberate exclusion of the public in determining the course of investment favored its interests to access raw materials from Zambia, as it took advantage of the sitting government’s incapacity to devise proper and lasting regulations. Haglund also pointed out that political embeddedness in Chinese investments in Zambia impacted on Zambia’s developmental agenda, because it only served short-term investment strategies that only sustained the political party in power.<sup>121</sup>

In his findings, Haglund also pointed out the strong historic China and Zambia relations which led to the construction of TAZARA in the 1970s and the current

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<sup>120</sup>John F. Kennedy School of Government, “The Initiative Defining Corporate Social Responsibility,” The President and Fellows of Harvard College, 2008, [http://www.hks.harvard.edu/m-rcbg/CSRI/init\\_define.html](http://www.hks.harvard.edu/m-rcbg/CSRI/init_define.html) (accessed 20 July 2013). Strategically, corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.

<sup>121</sup>Haglund, 17.

economic relations where out of the five Chinese special economic zones earmarked for Africa in 2000, two were established in Zambia in 2007. Haglund also indicated that increased Chinese and Zambia economic relations were repeatedly contested by the population, citing non-adherence to labor laws, environmental and safety regulations, political inclinations, and non-implementation of social responsibilities in areas they operate from.<sup>122</sup>

Apart from the case studies, the nature of Chinese and Zambian relations can also be analyzed from scholarly books. Dambisa Moyo and Ian Taylor, in their books noted that the nature of Chinese relationship with Zambia was based on economic and political interests. The two scholars trace the relations from history to the current state of affairs. Dambisa Moyo, in her book, *China's Race for Resources and What it Means for the World*, stated that China is on a global resource campaign. Accordingly, she pointed out that China funds governments and builds infrastructure in developing countries, and its activities are highly influenced by the Chinese Communist Party. She pointed out that Chinese foreign direct investment in African countries continues to rise with a greater portion of investments allocated to sectors based on natural resources.<sup>123</sup>

Moyo explained that Africa's opinion of Chinese investments is generally positive because of its commitment to infrastructure development and loans accessed without conditions. It can be deduced from Moyo's book that China's relationship with Africa and Zambia is based on economic cooperation focused on Chinese demand for base

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<sup>122</sup>Haglund, 18.

<sup>123</sup>Moyo, 79.



metals, and China politically interacts with governments by funding them, including helping in infrastructure development.

The other book that addressed the nature of Chinese relations with Zambia is *China and Africa: Engagement and Compromise*, by Ian Taylor. He pointed out that China's presence in Africa is not for economic reasons but for advancing its political influence as a global figure. Taylor noted that China seeks to secure identity and influence politics in Africa. Taylor emphasized that the nature of China's relations with Africa and Zambia inclusive has historically remained political and economic. He pointed out Chinese engagement of South Africa, which is perceived to be a political and economic hub on the continent, as a way of consolidating its strategic influence in Africa. On Zambia, Taylor noted the continued bilateral relations between the two countries even at a time they both faced economic challenges confirms a relationship that was beyond economic cooperation alone. From Taylor's book it can be understood that the nature of the Chinese and Zambian relationship is not only economic but also political. This is evident from the historical and current Chinese commitments in Zambia.

Inambao Mwanawina found that the nature of China and Zambia relations was based on the raw materials, primarily in the mining sector. The same findings were echoed by Micheal Sata who attributed the increased China and Zambia relations to natural resources. As for Dan Haglund, he was even specific that the relationship was centered on accessing natural resources, particularly copper.

The scholars also noted that agreements entered into by China and Zambia in their bilateral relations are highly confidential and not privy to the general populous. All the scholars highlighted the general resentment toward the Chinese investments among the

people and the potential implications of the increased relations where the Chinese government prefers to engage the Zambian government as the broker in all investment opportunities.

Therefore, from these scholarly works, this study deduced that the nature of China and Zambia relations were based on the exploitation of raw materials particularly base metals. Accordingly, it is clear that increased economic relations between the two countries have political influences which can potentially impact other sectors vital for national development. All the case studies also pointed out the mixed feelings that Zambians have toward Chinese investments, local labor laws, environmental impact awareness, and other corporate social responsibilities. The analysis of case studies to determine the nature of relations between China and Zambia raises more questions on Chinese involvement in Zambia than it provides answers.

Having analyzed all the pertinent documents from the historic, policy and scholarly perspectives, what then is the nature of China and Zambia relations as deduced by the study? Historically, the nature of the relations between China and Zambia has been political, by way of China supporting opposition political parties financially and materially. Thereafter, the relations had been centered on infrastructural development and mineral exploitations. However, it must be understood that all bilateral relations have a political complexion which in most cases is expressed latently.

In terms of policy, the documents analyzed presented the ideal nature of the relations as prescribed in the various policy statements. The documents defined the nature of China and Zambia relations as cooperative partners who jointly addressed global economic challenges as equals with mutual benefits. The relations equally provide a

diplomatic platform for reviewing and consolidating relations though the One China policy remains as a non-negotiable aspect that defines the bilateral relation. The policy documents highlighted political, economic, infrastructural and human development as areas of interaction in China and Zambia bilateral relations.

After analyzing scholarly work on the nature of China and Zambia relations, the study defined the nature of relations as one based on economic interactions particularly the extraction of base metals in the mining sector. Therefore, while this study agrees with the findings of the other scholars, other factors dating as far back as the pre-independence era need to be considered as they still play a significant role in influencing the exploitation of mineral resources in Zambia. A critical analysis of increased China and Zambia economic relations based on mineral resources indicated that politics and infrastructural development particularly the TAZARA plays a pivotal role in the increased relations.

Apart from the study finding that politics and infrastructural development have a direct influence in today's increased China and Zambia economic relations, the study also found that there were other factors that were indirectly influenced by such an increase in economic relations. These factors include: environment and safety, human capacity development and poverty.

China influences the political climate in Zambia. China has been and still is providing financial and material support to the political players in Zambia.<sup>124</sup> As such it enjoys unique financial and political advantages in promoting its economic agenda. This

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<sup>124</sup>Louise Redvers, "China's Stake in Zambia's Election," *Reuters*, 18 September 2011, <http://www.bbc.co.uk/news/world-africa-14952240> (accessed 18 August 2013).

it attains by way of financing political parties in power and usually the help it provides is with little or no strings attached. Given this situation, it can be deduced that this form of interaction promotes short-term benefits mainly to the political party that is preoccupied with retaining power but has long-term consequences that compromise good governance and human rights, since most of the interactions are usually done in secrecy or marred by political interests.<sup>125</sup>

The analysis of the historical perspective of the nature of China and Zambia relations highlighted the TAZARA project as one achievement.<sup>126</sup> In the infrastructural development sector, China continues to cooperate with Zambia by funding projects in health, education, housing, markets, road construction, and other projects that play a role in economic development. However, the Chinese role in the infrastructural development sector raises a lot of questions, especially the opaque manner in which agreements are made. Given the fact that China has influence in Zambia's political arena, there is always scepticism toward Chinese projects. Infrastructural developmental projects require large funding which requires long pay back terms.

Other areas of concern associated with increased China and Zambia economic relations are environmental awareness, occupational safety, and general concerns over poor working conditions. There is a general perception that Chinese investors in Zambia have a bad track record in adhering to local regulations pertaining to environmental

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<sup>125</sup>Africa-Asia Confidential, "Transparency in Chinese Investments," <http://www.africa-asia-confidential.com/article> (accessed 18 August 2013).

<sup>126</sup>Tanzania Zambia Railway Authority, "The TAZARA Project," <http://tazarasite.com/> (accessed 18 August 2013).

impact assessments and safety of workers. This caused a backlash and resentment against Chinese influence in the Zambian economic sector.<sup>127</sup>

After defining the nature of China and Zambia relations, it is equally important to highlight China's interests in Zambia.<sup>128</sup> The study revealed the attributes of the relationship that existed between China and Zambia from three perspectives: Historical, policy documents and scholarly case studies. A critical study of all the perspectives indicated that the nature of the relationship was based on economic cooperation, which has a direct or indirect influence on political and other developmental aspects in Zambia.

In addressing the question: What are China's interests in Zambia? The study analyzed the nature of China and Zambia relations to form an in-depth understanding of the relationship before drawing a conclusion. The relations that exist between China and Zambia are based on economic relations, focused on China's desire to access base metals, primarily copper, and its by-products from Zambia.<sup>129</sup> This is attested to by many factors like the provision of political support in the pre-independence era, the TAZARA project linking Zambia's copper mines to the Indian Ocean and other mass infrastructural

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<sup>127</sup>Kelvin Kachingwe, "ZAMBIA: Opposition to Chinese Firm Running Copper Mine," *Global Issues*, 2 June 2009, [www.globalissues.org/news/2009/06/02/1690](http://www.globalissues.org/news/2009/06/02/1690) (accessed 20 August 2013).

<sup>128</sup>"China's interests" in this study refers to the core sources that drive or influence China's economic interaction with Zambia.

<sup>129</sup>A by-product is defined as a secondary product derived from a mining process or chemical reactions. Copper as a primary product and by-products include gold, cobalt, nickel and other base metals.

developmental projects, particularly road construction, to facilitate the easy conveyance of base metals.<sup>130</sup>

On the other hand, Zambia as a developing country with economic and infrastructural development high on the priority list of its agenda sees Chinese investments as a best option at the moment. While China accesses Zambia's natural resources, successive governments have found China as an economic and developmental partner. Therefore, this study seeks to answer the question whether Zambia stands to gain or lose in its economic relationship with China. Looking at the question in terms of time, Zambia stands to benefit through infrastructural developmental projects in the short term. The quality of benefits is however a question for further study. On the other hand, Zambia stands to lose in the long term if it does not regulate Chinese activities and does not take advantage of the increased relations to tap into the relevant technology from China to sustain its copper industry in the future.

The study found that the increased relationship between China and Zambia is based on economic cooperation, particularly its access to Zambia's base metals which is primarily copper. Increased economic relations directly and indirectly influence politics and other sectors in Zambia. As a developing country, Zambia stands to benefit in the form of infrastructure development, though these are short term benefits. The study also found that China's interest in Zambia is mainly centered on copper and its by-products. Zambia stands to lose from this relationship in the long term if it does not regulate the

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<sup>130</sup>Those metals that oxidize, corrode or tarnish relatively easily if they are exposed to air or moisture. Copper, gold, nickel and cobalt are examples of base metals found in Zambia.

mining activities or expeditiously tap into the relevant technology to help sustain its copper industry.

### The U.S. Relationship and Interests in Zambia

After evaluating the relationship between China and Zambia, it was necessary to critically analyze the relationship between the U.S. and Zambia. Accordingly, this section analyzes the nature of the U.S. and Zambia relations, U.S. interests, and activities in Zambia, and the U.S. policy regarding China in Africa.

The U.S. established diplomatic relations with Zambia in 1964. Since then, the two countries have enjoyed warm and cordial relations. The nature of the relationship is based on the U.S. desire to help Zambia improve the general living standards of its people by supporting programs in areas of democratic governance and human rights, eradication of corruption, preservation of the environment, alleviation of poverty and development of human capacity.

Historically, the U.S. and Zambia have also interacted through forums like Africa Growth Apportunity Act, New Economic Partnership for Africa's Development and the Presidents Emergency Plan for AIDS relief. The U.S. and Zambia relations are mainly focused on economic development through the creation of an environment that is favorable for sustainable economic development and poverty alleviation.

According to the *United States Strategy Toward the Sub-Saharan Africa*, the U.S. recognizes the important role Africa will play in the security and prosperity of the international community in the future, appreciates the huge economic gains and technological changes taking place on the continent, and sees itself as a strategic partner

with Africa. In this partnership, the U.S. is concerned with strengthening democratic institutions and boosting broad based economic growth in Africa.

The U.S. believes that Africa is a continent of growing opportunity and promise for both African and American economies. It stands ready to partner with Africa to remove economic constraints, increase access to global markets, embrace sound economic governance and diversify Africa's economies beyond narrow dependence on natural resources.<sup>131</sup>

The U.S. is concerned with its core interests of ensuring the security of the U.S., its citizens, allies and partners, promoting economic vibrant democratic states that are U.S. partners on the global stage, expanding opportunities for U.S. trade and investments, preventing conflict and mass atrocities, and fostering broad based sustainable economic growth and poverty alleviation. The U.S. focuses on strengthening democratic institutions and spurring economic growth, trade, and investment while continuing to pursue the other interests. Therefore, the U.S. interests in Zambia cut across the three instruments of power namely diplomatic, military, and economic.

The other document that is significant in determining the U.S. interests in Zambia is the *U.S. Africa Command Posture Statement* delivered to Congressional Armed Services Committee on 1 March 2012. AFRICOM protects U.S. interests by strengthening the defense capabilities of African states and regional organizations. When directed AFRICOM conducts military operations to deter and defeat transnational threats and provide a security environment conducive to good governance and development. This is implemented by working closely with U.S. government agencies and international

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<sup>131</sup>Obama.



partners to address threats to security and stability in Africa, including those posed to the U.S., its citizens and programs in Africa.

The posture statement points out that AFRICOM recognizes the great potential existing in Africa and is increasingly engaging African states in consolidating the U.S. political, economic, and security interests on the continent. AFRICOM believes that growing economies combined with democratic gains recorded in most African countries makes the continent strategically important to the U.S. AFRICOM's efforts in Africa continues to be guided by two principles: First, a safe, secure and stable Africa; and second, Africa's capacity to address its challenges.

Therefore, from the two strategic documents, it can be understood that the U.S. interests in Zambia are based on diplomatic, military, and economic instruments of power. The U.S. government desires a Zambia that is secure, stable and conducive for economic growth. This it implements by supporting programs aimed at building and sustaining a democratic, well-governed country that contributes positively to regional stability and reducing widespread poverty by promoting sustainable economic development.

#### The U.S. Policy on China and Africa Relations

After addressing the nature of relationships and interests of both China and the U.S. in respect to Zambia, the study also looked at the U.S. position regarding Africa. There is no official document that addresses the U.S. position on China in Africa. Therefore, the study relied on various policy statements made by the U.S. government at various forums to draw its conclusions.

According to the U.S. State Department, the U.S. welcomes the continued peaceful rise of China in Africa. The U.S. has a vested interest in China's growing prosperity and partnership, not only in the Asian-Pacific region, but also the world at large. China and the U.S. have agreed to a new model of relations, based on practical cooperation and constructive management of differences. The U.S. recognizes the need to avoid falling into a trap of seeing China as a strategic rival, but a partner on issues of climate change, wildlife trafficking, military consultations and promoting balanced growth around the world.<sup>132</sup>

The U.S. recognizes that China's presence in Africa is a reality and wants to see it as a responsible partner in its trade with Africa. The U.S. desires that African nations hold China to the same kind of standards in trade they hold American, British, German, Western European, and Japanese companies. The U.S. notes that its companies in Africa not only invest but also provide technical skills, jobs, and technology to countries and people.<sup>133</sup>

On the increased economic relations between China and Africa, the U.S. government observes that the reason China's economic relations with Africa appear to have grown in the last decade, as compared to the U.S., was because the U.S. was not importing as much oil from Africa as previously. Imports were decreasing as the U.S. was able to produce more domestically. Accordingly, the U.S. government points out that

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<sup>132</sup>U.S. Department of State, "Remarks with Chinese Foreign Minister Wang Yi Before Their Meeting," 19 September 2013, <http://www.state.gov/secretary/remarks/2013/09/214419.htm> (accessed 3 October 2013).

<sup>133</sup>IIP Digital, "Briefing on Secretary Clinton's Africa Trip," U.S. Department of State, 12 June 2011, <http://translations.state.gov/st/english/texttrans/2011/06/20110612122139su0.7688563.html#axzz2ghwrIcEe> (accessed 3 October 2013).

China is importing more energy and base metals from Africa and that its involvement together with other countries like Brazil, India, Turkey, on the continent was a positive development.<sup>134</sup>

From these policy statements, it is clear that the U.S. does not view China as a strategic rival in Africa. However, it desires to see fair trade between China and African countries, and a relative even playing field in trade between Africa and other countries. Accordingly, the U.S. believes in investments that are not only centered on extracting resources but on building capacity, creating opportunities, and transferring technology. Therefore, the U.S. views Chinese and Zambian increased economic relations based on mutual benefits that promote sustainable economic development as being compatible with the U.S. interests.

#### Overlapping Areas in China-Zambia and U.S.-Zambia Relations

To determine whether the increase in China and Zambia economic relations has implications on the nature of economic bilateral relations between the U.S. and Zambia, the study analyzed the trends in foreign investment inflows by China and the U.S. from 2008 to 2012. Additionally, stocks of sector external debt over the same period of time were analyzed. The International Monetary Fund balance of payment manual defines foreign investment as “a category of international investment that reflects the objective of a resident in one economy (the direct investor) obtaining a lasting interest in an enterprise

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<sup>134</sup>Ross Anthony, “Obama ‘Playing Catch Up’ as Africa Looks to China,” *Cable News Network*, 26 June 2013, <http://www.cnn.com/2013/06/26/opinion/obama-catch-africa-china-anthony/index.html> (accessed 10 October 2013).

resident in another economy (the direct investment enterprise).”<sup>135</sup> Lasting interest implies the existence of a long-term relationship between the direct investor, who in this case is China or the U.S., and the direct investment enterprise being Zambia. The significant degree of influence by the investor on the management of the enterprise refers to economic growth recorded from foreign investment inflows.

According to the SNDP, the GRZ’s policy is to accelerate private sector investment to achieve increased and diversified growth. To this end, the GRZ employs a strategy that continues to attract investment and improve the overall business and investment climate in Zambia.<sup>136</sup> Therefore, deliberate efforts are made to link private foreign investment to the domestic economy with the view of enhancing economic development.

In international relations, the GRZ takes advantage of good foreign relations to invigorate the country’s drive to boost trade and attract foreign investment to strategic areas. The use of the foreign investment inflow patterns proves as a significant model to determine whether the increase in China and Zambia relations lead to a change in the nature of bilateral relations between the U.S. and Zambia.

Table 3 below shows foreign investment inflows in USD million made by China and the U.S. to Zambia during the period from 2008 to 2012:

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<sup>135</sup>International Monetary Fund, “Definition of Foreign Investments,” 2004, <http://www.imf.org/external/pubs/ft/fdi/2004/fditda.pdf> (accessed 21 September 2013).

<sup>136</sup>Republic of Zambia, Ministry of Finance and National Planning, *The Sixth National Development Plan*, The World Bank Group, 20 January 2011, [http://siteresources.worldbank.org/INTZAMBIA/Resources/SNDP\\_Final\\_Draft\\_\\_20\\_01\\_2011.pdf](http://siteresources.worldbank.org/INTZAMBIA/Resources/SNDP_Final_Draft__20_01_2011.pdf) (accessed 21 September 2013).

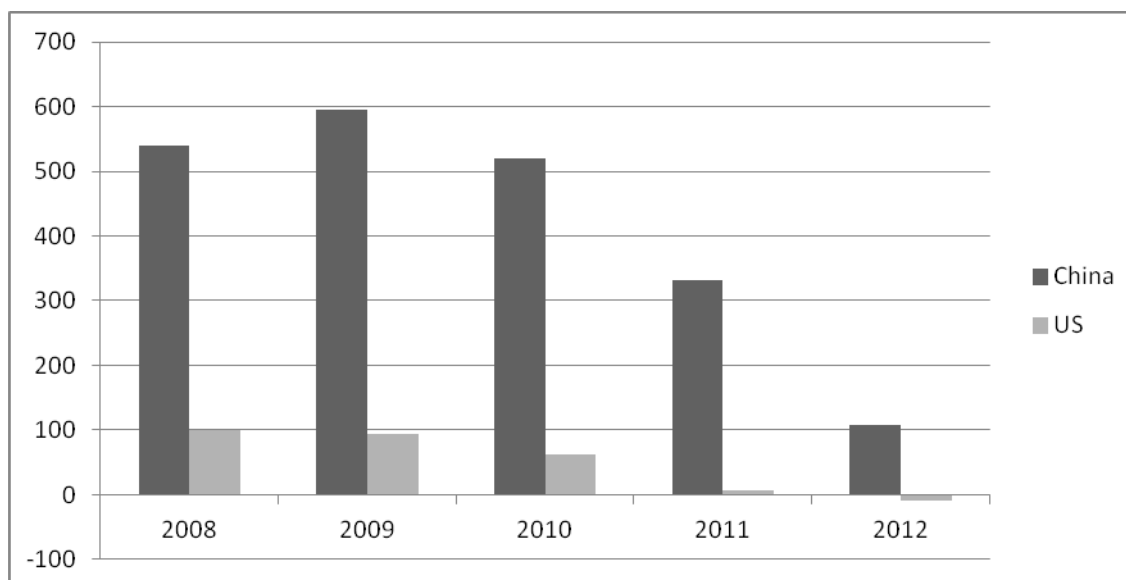
Table 3. Foreign Investment Inflows to Zambia by Country (USD million) 2008-2012

	2008	2009	2010	2011	2012
China	540.1	595.5	520.8	332.6	108.4
U.S.	100.8	93.0	62.1	6.0	-9.0

*Source:* Created by author using data from Bank of Zambia Website, “Foreign Investments Inflows to Zambia by Country,” 2012, <http://www.boz.zm/PrivateCapital2012/10%20-%20conclusion%20reference> (accessed 20 September 2013).

From table 3, Chinese foreign investment in Zambia increased during the period 2008 and 2009, while that of the U.S. decreased. On the other hand, from 2009 to 2012, foreign investment by both China and the U.S. decreased. Statistics show that the total Chinese foreign investment between 2008 and 2012 is 8.29 times more than that of the U.S. Below is the graphical representation of the trends:

Table 4. Private Foreign Investment Inflow Trends to Zambia by China and the U.S. 2008-2012



Source: Created by author using data from table 3.

Table 4 shows an increase in Chinese foreign investment inflows to Zambia, while the U.S. inflows decreased during the period 2008 and 2009. On the other hand, between from 2009 to 2012, the trends indicate a decrease in both China and the U.S. foreign investment inflow to Zambia. This could be attributed to the global recession that did not spare even smaller economies like that of Zambia.

Having analyzed the trends in terms of foreign investment, it is equally important to evaluate Zambia's debt to China and the U.S. The SNDP states that both external and domestic debt borrowing will remain relatively conservative in order to maintain debt sustainability.<sup>137</sup> This means that in external debt management, the GRZ will continue

<sup>137</sup>Republic of Zambia, Ministry of Finance and National Planning, *The Sixth National Development Plan*, The World Bank Group.

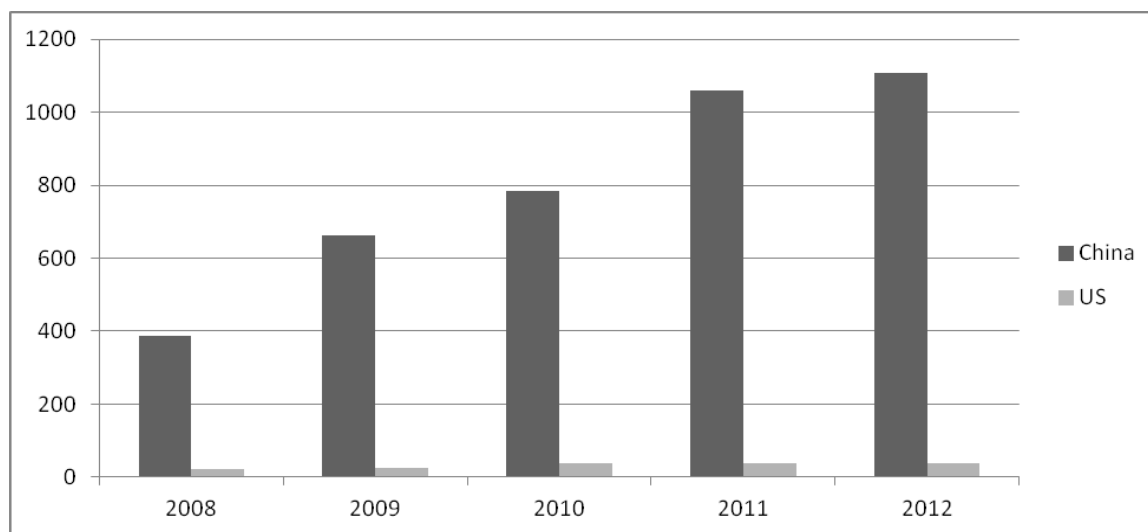
contracting a mix of concessional and non-concessional debt to finance projects with high economic return, especially in infrastructure, such as roads and electricity generation and transmission, in line with its priorities to achieve economic development. Table 5, shows the debt Zambia contracted from China and the U.S. from 2008 to 2012:

Table 5. Stock of Zambia's External Debt by Country (USD million) 2008-2012

	2008	2009	2010	2011	2012
China	385.6	662.6	785.2	1059.2	1106.3
U.S.	21.1	23.8	38.9	37.4	38.1

*Source:* Created by author using data from Bank of Zambia Website, "Foreign Investments Inflows to Zambia by Country," 2012, <http://www.boz.zm/PrivateCapital2012/10%20-%20conclusion%20reference> (accessed 20 September 2013).

Table 6. Trends of Zambia's External Debt to China and the U.S. (USD million) 2008-2012



*Source:* Created by author using data from table 5.

Table 6 shows a general increase in Zambia's borrowing from China. Regarding the U.S., there was a steady increase from 2008 to 2010, a decrease in 2011 and an increase in 2012. From the figures in table 5 and the trends in table 6, it can be deduced that while the Chinese foreign investment inflows to Zambia was 8.29 times that of the U.S. Zambia's debt to China was 25.1 times larger than that owed to the U.S. during 2008 to 2012.

Following from the study of the trends in the foreign investment inflows and debt, the hypothesis: The increase in Chinese and Zambian economic relations will change the nature of the relationship between the U.S. and Zambia, cannot be proved. A general rise in Chinese foreign investment inflows reflected a decrease in U.S. foreign investment inflows over the same period. This means an increase in economic relations between China and Zambia translated into a decrease in the U.S. and Zambia's economic relations.

Accordingly, when debt was used to test the hypothesis, it translated into a general increase in Zambia's debt to China which meant a very marginal increase in Zambia's debt contracted from the U.S. It can be deduced that an increase in Zambia's economic relations with China has not in any way influenced an increase in the U.S. and Zambia economic relations over the last decade.

According to Lord Palmerston, "Nations have no permanent friends or allies, they only have permanent interests."<sup>138</sup> To employ Lord Palmerston's theory, it can be translated that China and the U.S. have different interests in Zambia. China has economic

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<sup>138</sup>Brigham Young University Department of Political Science, "Nations Act in Their Interests," [https://politicalscience.byu.edu/Syllabi/Sp08/Champion\\_170\\_Sp08.pdf](https://politicalscience.byu.edu/Syllabi/Sp08/Champion_170_Sp08.pdf) (accessed 6 October 2013).



interests and the U.S. has varied interests. If both countries had similar interests, a rise in private foreign investment inflows or debt contracted by Zambia from any of them would have indicated a relative substantial rise in the other. Therefore, an increase in Chinese economic relations with Zambia does not necessarily mean a change in the U.S. and Zambia's bilateral economic relations.

The study critically analyzed Chinese and the U.S. investments in Zambia's economic sectors before identifying potential areas of overlap in the increased China and Zambia relations which may have a direct or indirect impact on U.S. interests in Zambia. Thereafter, the study determined whether Zambia, in its relationship with China, stood to gain, lose or if indeed the relationship was a zero-sum game.

The study found out that both China and the U.S. have interests in Zambia. The nature of their relationships with Zambia indicated that they both impact on the country's economic development. Tabulated below are the governmental contributions that China and the U.S. made in the various sectors of Zambia's economy:

Table 7. Contributions by U.S. and China by Sector (USD million) 2007-2011

Country	Sector	2007	2008	2009	2010	2011
U.S.	Mining	441.5	66.4		0	25.0
China		?	?	?	477.9	?
U.S.	Manufacturing	843.2	1054.0	1.8	32.0	6.3
China		?	?	?	628.4	?
U.S.	Infrastructure	39.0	1377.0	3.4	2.5	0.5
China		?	140.0	370.0	20.4	?
U.S.	Agriculture	66.8	47.4	251.1	194.3	482.6
China		?	?	?	?	?
U.S.	Tourism	78.8	161.3	0.5	1.0	0.6
China		?	?	?	0.5	?
U.S.	Education	4.1	4.2	2.5	215.0	3.4
China		?	?	?	?	?
U.S.	Health	1.2	38.0	0.5	127.2	13.3
China		?	?	?	?	?

*Source:* Created by author using data from IIP Digital, “U.S. Investments to Zambia by Sector,” U.S. Department of State, 2011, <http://photos.state.gov/libraries/Zambia/231771/PDFs/2011countrycommercialguidezambia.pdf> (accessed 13 October 2013); Embassy of the People’s Republic of China in the Republic of Zambia, “Chinese Investments in Zambia,” <http://zm.chineseembassy.org/eng/sbgx/jm/t1058615.htm> (accessed 10 November 2013).

Statistics that are available from the various organizations that compile data on investments in Zambia have been indicated in table 7. Where the data is not available a question mark (?) is used. Therefore, in analyzing the U.S. and Chinese involvement in Zambia’s sectors of the economy, the researcher integrates both available statistics and observations to draw the findings. The study takes into consideration the relative dissimilar economic models that both the U.S. and China employ in investing in Zambia. The Chinese private investments are highly contested because of their government’s involvement.

According to table 7, the U.S. and China have made significant efforts in helping Zambia achieve economic development by supporting a number of sectors. At the same

time, the GRZ recognizes that growth in mining, manufacturing, infrastructure, agriculture, tourism, education, health sectors is vital in achieving economic development.

### Mining

The rising prices of metals on the international commodity markets spurred by an increased demand for metals from Asia, especially China, has led to Zambia's copper production surpassing its peak recorded in 1972 of 700,000 tons. The country continues to attract private foreign investment in the mining sector leading to an increase in the production of copper and other metals. Copper production has increased from 572,793 tons in 2008 to over 800,000 tons in 2012. By 2016, it is projected that production will reach 1,500,000 tons if new mining projects currently under development commence operations.<sup>139</sup>

The mining sector has attracted investment in excess of USD 8 billion since the year 2000 and created 74,000 jobs by the year 2012. In this sector, China has made significant contributions in terms of investments. According to the Zambia Development Agency, China runs five mining companies and continues to prospect for more investments in the sector.<sup>140</sup> On the other hand, the records indicate that the U.S. is not directly involved in mining, but do make a contribution through building Zambia's human capacity through its educational programs in the U.S. and sensitizing citizens on

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<sup>139</sup>Zambia Development Agency, "Chinese Investments in Zambia," [http://www.zda.org.zm/sites/default/files/Zambia%20Mining%20Sector%20Profile%20-%20June%202013\\_0.pdf](http://www.zda.org.zm/sites/default/files/Zambia%20Mining%20Sector%20Profile%20-%20June%202013_0.pdf) (accessed 10 November 2013).

<sup>140</sup>Zambia Development Agency, "Chinese Investments in Zambia."

the impact of environmental pollution and occupational safety. Additionally, an American metal fabrication company in Zambia, Metal Fabricators of Zambia owned by Phelps Dolge International depends on the copper mines for its manufacturing needs.<sup>141</sup>

According to table 7, there are few statistics for China in the mining sector because most of the data is not readily available from the Zambia Development Agency, the Chinese embassy and other organizations who compile statistics on Zambian investments. However, the study found that China has made substantial investments in the mining sector. Although statistics are not readily available, Chinese investment in the mining sector is a significant source of private foreign investment in Zambia.

In relation to the U.S. activities, the study identified environmental pollution and occupational safety as potential areas where the increased Chinese involvement in the Zambian mining sector is likely to overlap with the U.S. interests. The U.S. is committed to preserving the environment and occupational safety. With an increase in reports on the two aspects emanating from Chinese mines, there are likely to impact on the U.S. and Zambia relations.

### Manufacturing

The GRZ recognizes the significant role manufacturing plays in achieving economic growth. It has worked on its regulatory framework with the view to attract investment and link the private foreign investment to the needs of the domestic economy. In this regard, the need for value added cannot be over emphasized.

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<sup>141</sup>Metal Fabricators of Zambia Limited, “Ownership and Operations of ZAMEFA,” <http://sadbiz.com/countries/zambia/categories/manufacturing/adverts/zamefa/zamefa.htm> (accessed 6 November 2013).

Table 7 indicates consistency in terms of the U.S. contribution to the manufacturing sector and a marginal contribution on the part of China. Given the findings that Chinese interests are focused on extracting raw materials from Zambia, the statistics in table 7, confirm that Chinese involvement in the sector is very low. On the other hand, statistics about the U.S. confirm the involvement of U.S. companies like Metal Fabricators, Dunavant Cotton, Cargill Cotton and National Milling. From this, Zambia stands to benefit from the U.S. investments in the manufacturing sector.

### Infrastructure Development

Infrastructure development is another sector Zambia considers significant in achieving economic development. Infrastructure serves as an essential driver of any economy. It covers construction and rehabilitation of airports, road networks, railway lines, energy generation and transmission installations, telecommunication infrastructure, and housing. According to table 7, both the U.S. and China have made significant contributions in this sector. China has been involved in construction and rehabilitation of airports, roads, railway, housing, market places, and sports facilities, while the U.S. has made an impact in real estate through housing projects as shown in 2008.<sup>142</sup>

A critical analysis of this sector indicates that China is involved in a relatively larger number of projects compared to the U.S. and, given the volume of Chinese involvement, there are no areas that directly overlap Chinese and U.S. interests in this sector. However, there are concerns that there can be implications on U.S. and Zambian

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<sup>142</sup>Zambia Development Agency, “Foreign Investments by Sector,” [http://www.zda.org.zm/sites/default/files/Zambia%20Mining%20Sector%20Profile%20-%20June%202013\\_0.pdf](http://www.zda.org.zm/sites/default/files/Zambia%20Mining%20Sector%20Profile%20-%20June%202013_0.pdf) (accessed 10 November 2013).

relations if the bilateral agreements entered into by China and Zambia impact on the sound democratic governance which is one of the U.S. priority areas in Zambia. This is considering the political embeddedness that exists in Chinese engagements with Zambia.

### Agriculture

Zambia has a large land resource base of 42 million hectares, and only 1.5 million hectares are cultivated annually. It has abundant water resources for irrigation and the country constitutes 40 percent of the water in central and southern Africa. Agricultural output in Zambia increased from 18 percent of the gross domestic product in 2008 to about 20 percent of gross domestic product in 2009. This was as a result of increased area planted, good rainfall patterns in the country, favorable agriculture policies by the government, and better farming methods introduced by other partners like the U.S. This has also been evidenced by the increased production of major crops during the 2009-2010 agricultural season compared to the 2008-2009 season.<sup>143</sup>

The agricultural sector is the backbone of the Zambian economy. It contributes about 35 percent of the country's total non-traditional exports (all the country's exports excluding copper and cobalt) and about 10 percent of the total export earnings. The sector also employs 70 percent of the labor force.<sup>144</sup> This sector continues to receive priority attention from the government through increased budgetary support aimed at increasing productivity, food security, income, employment opportunities and reducing poverty.

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<sup>143</sup>Ibid.

<sup>144</sup>Zambia Development Agency, "Foreign Investments by Sector."

Table 7 shows a substantial contribution to this sector by the U.S., while on the part of China there is no indication of any sort in agriculture. The study found that the U.S., through various programs coordinated by the U.S. Agency for International Development, has supported subsistence farmers at village level by providing farming implements and sharing better farming practices to alleviate poverty.<sup>145</sup> In the agricultural sector, the contribution made by the U.S. is far greater when compared to China's involvement. Therefore, any efforts by China in this sector have not impacted U.S. activities.

### Tourism

In tourism, the Zambian government has concentrated on making the sector viable and competitive by improving infrastructure to increase access to tourism sites. To determine the levels of involvement by investors this study looks at contributions made in the form of cash inflows through visits or investments.

According to table 7, the contribution made by the U.S. surpasses that of China. This also is true for the number of tourists who visit Zambia. In this sector, Zambia has had more tourists from the U.S. compared to China. Therefore, from the statistics, it can be concluded that the U.S. is more involved in the tourism sector than China.

### Education

The education sector has a very significant impact on Zambia's economic development agenda. The government recognizes that without education, the country

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<sup>145</sup>U.S. Agency for International Development, "Our Work," <http://www.usaid.gov/zambia/our-work> (accessed 6 October 2013).

cannot achieve sustainable economic growth. To demonstrate the importance the GRZ attaches to education, it has continued to allot financial resources and partner with other players in the sector.

Table 7 shows a steady and substantial contribution by the U.S. in this sector. In the last decade the U.S. government, in line with its interests in Zambia, has supported numerous programs that help build the capacity of Zambians in almost all sectors. The U.S., through its educational programs, has emphasized the long-term benefits that come from education and the importance of education to attaining sustainable economic development.

In the case of China, despite there being no statistics among various organizations that handle economic details, China has equally made a meaningful contribution to the educational sector. By 2012, 1,500 students had been awarded scholarships to attend universities in China and in 2013, 32 scholarships had been awarded to various students to study in China as well.<sup>146</sup> To support the sector, China has also been instrumental in rehabilitating and constructing new schools.

The statistics indicate that the U.S. has made a greater contribution in the education sector than China. It is also clear that most of the contributions made by China in this sector account for a contribution in the infrastructure development sector. Given the statistics and the U.S. interests in Zambia, it is clear that the U.S. makes a significant contribution to this sector.

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<sup>146</sup>Ministry of Commerce People's Republic of China, "China-Zambia Bilateral Relations," <http://zm2.mofcom.gov.cn/article/padxa/english> (accessed 10 November 2013).



## Health

According to table 7, the U.S. continued to make positive contributions to Zambia's health sector. In the case of China, no details are shown due to non-availability of statistics. The U.S. continues to work closely with the GRZ to reform its health sector. The U.S. has supported the national health strategic plan and employed proven approaches to combat disease, promote reproductive health and prevent new HIV infections. The U.S. has been very active in this sector through a number of government funded programs and initiatives.

China has also made a significant effort in this sector, through the provision of infrastructure and medical equipment. The contributions made by China in the health sector are difficult to quantify because of the different way it engages the government and because its contribution is mainly in construction which is addressed under infrastructure in this study. The study found that the Chinese government, other than construction, contributes 28 civilian and 11 military doctors to Zambia, who rotate over a period of three years. China provides 30 doctors serving with mobile hospitals in the rural areas.<sup>147</sup>

The study found that both the U.S. and China have been contributing to Zambia's health sector. Chinese efforts in the sector have been through infrastructure. China's other programs are substantial but not beyond the U.S. programs in Zambia. Therefore, it is understandable that the U.S. contributes more than China in this sector.

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<sup>147</sup>Embassy of the People's Republic of China in the Republic of Zambia, "Chinese Investments in Zambia," <http://zm.chineseembassy.org/eng/sbgx/jm/t1058615.htm> (accessed 10 November 2013).

### Trilateral Relations between the U.S., China and Zambia: Gain, Loss or Zero-Sum

Having analyzed the trilateral economic relations that exist among the U.S., China and Zambia in terms of the nature of the relations, interests, and involvement with Zambia's economic sectors, it is now possible to quantify the benefits drawn from the economic relations based on the level of involvement in a specific sector. The analysis is based on whether the relationship is parasitic, symbiotic or synergistic. To do this, the study looked at the sectors in which both China and the U.S. are involved in Zambia based on statistics in table 7 and judgment to form a basis to determine the level of economic benefits to China, the U.S. and Zambia.

A parasitic relation occurs when, based on statistics and the analysis on the level of involvement in a sector, either Chinese or the U.S. economic benefits outweighs those drawn by Zambia as a host nation. A value of "3" or "High" was assigned to a country whose level of involvement in a sector was high and the benefits were high, a value of "2" or "Medium," in the case where the level was not high or low, and the economic benefits drawn were equally not high or low. Otherwise, a value of "1" or "Low" was assigned.

In symbiotic economic benefits, the study looked at those sectors where the investor, in this case China or the U.S. based on the level of involvement in the sector draws mutual economic benefits in relation to Zambia as a host nation. Where the level of involvement was high and both Zambia and the country involved drew high benefits, a value of "3" or "High" was assigned, where the level of involvement was not high or low, a value of "2" or "Medium" was assigned, and a value of "1" or "Low" assigned for low involvement and low benefits.

A synergistic relation in this study applies to the economic benefits drawn by Zambia as a host country as a result of the investments from either the U.S. or China in a specific sector. Based on the statistics and level of involvement in a sector, the benefits are evaluated. A value of “3” or “High” is assigned when the level of involvement by either the U.S. or China is high and Zambia draws maximum economic benefits, a value of “2” or “Medium” where both the level of investment is not high or low, and a value of “1” or “Low” in the case where there is low involvement by either the U.S. or China and Zambia draws low economic benefits.

The results, based on the statistics in table 7, analysis of the sectors and the model explained above, are the represented in table 8 below. Subsequent evaluation of the figures indicated in table 8 formed the basis for a conclusion and recommendations of the study. This is necessary to determine whether Zambia, in its increased economic relations with China, stands to gain, lose or it is a zero-sum game as it relates to the U.S.

Table 8. The U.S., China and Zambia Economic Relations

		Parasitic	Symbiotic	Synergistic
Mining	U.S.	1	2	3
	China	3	3	3
Manufacturing	U.S.	2	3	3
	China	3	2	3
Infrastructure development	U.S.	1	2	3
	China	2	3	3
Agriculture	U.S.	1	2	3
	China	1	1	1
Tourism	U.S.	2	2	3
	China	1	1	1
Education	U.S.	1	2	3
	China	1	2	3
Health	U.S.	1	1	3
	China	1	1	2
Totals	U.S.	9	14	21
	China	12	13	15

Key: High Benefits – 3, Medium Benefits – 2, Low Benefits – 1

*Source:* Created by author based on the data reviewed.

Table 8 shows the various economic sectors in which both China and the U.S. are involved in Zambia. The values in table 8 represent the level of economic benefits in relation to the level of involvement in a particular sector as defined by the nature of relationship, whether parasitic, symbiotic or synergistic. Parasitic applies to benefits drawn by either China or the U.S. in the sector in which they are involved, symbiotic refers to mutual benefits by the country involved and Zambia, and synergistic refers to benefits drawn purely by Zambia from the investments.

Table 8 shows that China is actively involved in mining and infrastructure development. China is highly parasitic on Zambia's mining sector as indicated by "3," and the relationship is equally symbiotic as shown by "3." A "3" assigned to synergistic

also means that Zambia draws a lot of benefits from Chinese investments in mining. On the part of the U.S., its relationship with Zambia in the mining sector is not as parasitic as China but the two countries benefit from each other as shown under symbiotic. U.S. active involvement in manufacturing, which relies on the mining sector and the various capacity building programs, makes this sector symbiotic and synergistic to Zambia.

In infrastructure development, Zambia draws maximum benefits from both the U.S. and China as shown by “3” under synergy and there is a symbiotic relationship that exists as shown by “3” and “2” for China and U.S. respectively. In this sector, it shows that China is more parasitic, “2” than the U.S. “1” because of the various rail and roads that it also uses to convey base metals from the mines to the sea ports. As for the U.S., in this sector, it is only involved in home development projects but not to the level of Chinese investments.

The U.S. is actively involved in the manufacturing sector, primarily adding value to mining products at Zambia Metal Fabricators. China has also been dependent on the U.S. plant based in Zambia. Therefore, a “2” under parasitic for the U.S. indicates some level dependence on raw materials, and a “3” for China shows complete dependence for manufacturing. A “3” for U.S. under symbiotic and synergistic means mutual benefits and greater benefits for Zambia, respectively.

The Chinese investments in the agricultural and tourism sectors have been very negligible. The U.S. investments outnumber those of the Chinese in the two sectors. Therefore, a “3” under synergetic in respect of the U.S. indicates that Zambia draws more economic benefits from the two sectors in its relationship with the U.S. and a “2” under symbiotic represents the level of mutual benefits in respect of the U.S. and Zambia in

relation to the U.S. involvement in the sectors. The Chinese investment in the sectors is very low that only a “1” is assigned in the two sectors.

In the education and health sectors, both the U.S. and China have made significant investments and Zambia has been able to draw maximum benefits from the two countries in education. However, according to table 8, Zambia benefits more from the U.S. in the health sector than it does from China because of the various health programs the U.S. runs in Zambia. This is indicated by a “3” and “2” in respect of the U.S. and China under synergistic. For parasitic, a “1” is assigned in both cases because neither the U.S. nor China relies on Zambia’s education and health sectors.

Following from above, the totals at the bottom of the table depict the nature of relationships in all the sectors under parasitic, symbiotic, and synergistic. Under parasitic, a “12” for China and a “9” for the U.S. indicates that China is more parasitic on Zambia than the U.S. On symbiotic a “13” for China and a “14” for the U.S. also mean that there are more mutual benefits in Zambia’s economic relationship with the U.S. than with China, and a “21” for the U.S. and a “15” for China shows that Zambia benefits more from the U.S. investments than it does from China. Therefore, Zambia’s relationship with the U.S. in relation to China can be said to be 25 percent less parasitic, eight percent symbiotic and 40 percent synergistic.

An evaluation of both Chinese and the U.S. interests in Zambia, coupled with a detailed examination of their involvement in Zambia’s economic sectors, was significant in determining the potential areas of overlap in the U.S., Chinese, and Zambian trilateral relations. The study found out that Chinese interests in increased economic relations in Zambia during the last decade were based on extracting mineral resources primarily in

the copper mines. Chinese investments extended to infrastructure development to facilitate transportation and support Zambia in its development agenda. An examination of economic sectors also indicates that a larger portion of Chinese private foreign investment inflow to Zambia goes to mining and infrastructure development.

On the other hand, an examination of the U.S. interests in Zambia revealed that, the U.S. is interested in supporting Zambia to achieve sustainable economic growth and reduce poverty. The U.S. promotes a sound democratic governance system a healthy environment conducive for achieving economic development. Therefore, the U.S. government supports programs that promote democratic governance in areas of electoral process, rule of law, human rights, and fighting corruption. Regarding environmental protection, the U.S. government builds Zambian capacity to carry out environment impact assessments, reduce pollution, implement occupational health and safety, and fight disease. The U.S. is interested in supporting a political and safe environment that promotes sustainable economic growth in Zambia.

The U.S. and China practice different forms of governance. At the same time, the U.S. investments in Zambia are attached to conditions that conform with their political interests while Chinese investments do not. According to FOCAC 2000, China will not interfere with national politics in its economic relations in Africa, but there is provision for China to engage individual countries at the bilateral level in its relationship. However, this study found that China and Zambia have had economic relations that extended to their political systems dating back to the days of independence. In the last decade, the increased economic relations between China and Zambia, primarily in the mining and infrastructure sectors, have had direct or indirect influences. Unlike other countries, most

of Chinese investments in Zambia are sponsored by their government and are negotiated directly with the Zambian government who act as state brokers.

Given that most Chinese investments are designed to achieve the Chinese Communist Party's vision, there is a likelihood that the political embeddedness that exists in the economic relations between China and Zambia is likely to be influenced by political ideals that compromise the democratic tenets sponsored by the U.S. It is evident that China has been sponsoring political parties in Zambia's elections<sup>148</sup> and political visits<sup>149</sup> have been exchanged between ruling parties in Zambia and the Chinese communist party.

In terms of environmental protection, most of the mining companies are required to meet environmental regulatory requirements before commencing operations in Zambia. Accordingly, they need to respect the national labor laws, occupational safety rules, and protect the communities from pollution.<sup>150</sup> However, the last decade has witnessed cases of pollution and a disregard of the regulation framework on labor laws and safety by Chinese companies.<sup>151</sup> Considering the political embeddedness in Chinese investments and the Zambian government's failure to strengthen environmental

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<sup>148</sup>Redvers.

<sup>149</sup>Embassy of the People's Republic of China in the Republic of Zambia, "China-Zambia Political Cooperation," <http://zm.chineseembassy.org/eng/sbgx/zz/t938251.htm> (accessed 12 October 2013).

<sup>150</sup>Agness Changala, "Government Admits Inadequacy of Anti-pollution Law," *Post Newspapers*, 1 February 2011, [http://www.postzambia.com/post-read\\_article.php?articleId=17831](http://www.postzambia.com/post-read_article.php?articleId=17831) (accessed 12 October 2013).

<sup>151</sup>Voice of America, "Chinese and Local Regulations," *VOA News*, <http://www.voanews.com/content/a-13-2007-06-12-voa39/332536.htm> 1 (accessed 12 October 2013).



regulations, this is likely to impact negatively on the U.S. interests to safeguard the environment in Zambia.

This study found that the potential areas of overlap in the increased Chinese and Zambian economic relations in relation to the U.S. interests in Zambia are in the areas of governance and environmental protection. The political influences in Chinese investments can potentially impact on U.S. programs that support sound democratic governance in Zambia. Accordingly, the laxity in the Zambian environmental regulatory framework, when it comes to Chinese investments, can negatively affect the U.S. efforts in preserving Zambia's environment. Therefore, there is need for Zambia to leverage its relations taking note of these potential overlapping areas to draw benefits from both China and the U.S without conflicting their interests in Zambia.

### Summary

In chapter 3, the study analyzed the nature of Chinese and Zambian relations from the historic, policy, and scholarly perspectives. The study found that Chinese interests in Zambia in the last decade are based on extracting natural resources primarily base metals. Likewise, the nature of the U.S. and Zambian relations, including interests were analyzed. The U.S. stands to help Zambia achieve sustainable economic development by promoting sound democratic governance that support economic activities which build capacity in Zambians and reduce poverty.

The study also analyzed the trends in the U.S. and Chinese foreign investment inflows to Zambia and found that an increase in Chinese foreign investment inflows to Zambia does not necessarily mean an increase in the U.S. foreign investment inflows. The study also notes the different views that exist on Chinese foreign investment inflows

whose details are beyond the scope of this study. The various statistics on both Chinese and U.S. contributions in Zambian economic sectors were also analyzed. Most statistics on Chinese investments, even in sectors where they are known to have excelled, were missing. However, based on the available statistics and judgment, the U.S. investments remained steady in the sectors they were involved in, and China was found to be primarily involved in mining and infrastructure development. The findings on sector involvement were sufficient to provide a basis to determine Zambia's benefits.

Lastly, the study identified areas of potential overlap in the increased Chinese and Zambian economic relations. With the increase in the volume of economic relations particularly in mining and infrastructure development, sound democratic principles and environmental protection are likely to be compromised. The political embeddedness in the economic agreements signed by China and Zambia, coupled with the government's non-regulatory framework on environmental concerns emanating from Chinese-run mines have the potential to negatively impact on U.S. interests in Zambia.

The findings on the nature, interests, foreign investment trends, sector investments, and areas of potential overlap were significant in addressing the research. The outcomes drawn from chapter 3 set a good foundation for the interpretations necessary to draw conclusions based on the study. Chapter 4 is dedicated to the interpretations of the findings and a conclusion based on the theme.

## CHAPTER 4

### CONCLUSIONS AND RECOMMENDATIONS

Chapter 4 provides conclusions and recommendations for the study: “Increased economic relations between China and Zambia in the last decade: What are the implications on Zambia’s bilateral relations with the United States?” The research was aimed at evaluating the increased China-Zambia economic relations with the view to determine the implications on the existing bilateral economic relations between the U.S. and Zambia. The study proposes a strategy that Zambia could adopt to draw synergy in a trilateral relationship involving China and the U.S. Therefore, the study recommends the best way Zambia as a developing country can interact with the two major economic powers without creating a conflict of interests between and among the actors, given their profiles in the global arena.

The study first evaluated the nature of Chinese and Zambian relationships in the context of the research. It found that historically, China and Zambia’s relationship was based on political support in the struggle for independence and infrastructure development in the post-independence era. In the last decade, the nature of relations has been based on economic cooperation and development, primarily in the mining and infrastructure development sectors. The study also revealed that the relationship between China and Zambia was based on historic ties, implying that the increased economic relations, particularly in mining and infrastructure development, have an influence on Zambian politics.

In reference to the U.S. and Zambian relationship, the study traces it to 1964, the year Zambia gained its independence from Britain. Since then, the U.S. has been helping

Zambia achieve sustainable economic development and alleviate poverty through programs that create a climate that is conducive for economic growth. In the last decade, the U.S. has been supporting programs in the areas of democratic governance and human rights, electoral process, corruption reduction, environmental safety, health and general institutional capacity building.

The study further evaluated the nature of relationships of both China and the U.S. with Zambia to determine their core strategic interests in Zambia. According to the study, Chinese interests in Zambia are based on the extraction of the natural resources, primarily base metals in the mining industry. To facilitate this, the Chinese are also heavily involved in infrastructure developmental projects for easy access to the sea ports. The TAZARA is a good example that provides China easy access to the sea port on the Indian Ocean. As for the U.S., the study found that its interests were mainly to help Zambia improve its climate for sustainable economic growth by promoting sound democratic governance that respects human rights, alleviating poverty and building capacity in many sectors of the economy.

The other aspect the study looked at was the U.S. position on China in Africa. The study found that the U.S. is not adverse to the continued peaceful rise of China in Africa and has vested interests in its growing prosperity and partnership on the continent. It recognizes Chinese presence in Africa and wants to see it as a responsible partner in its trade with African countries. The U.S. also views the increase in the volume of Chinese trade with Africa in relation to the U.S. as due to the large Chinese imports of energy and base metals. From these findings, it is clear that the U.S. does not view China as a

strategic rival in Africa, but desires that there be fair trade between China and African countries.

To determine the implications of increased economic relations between China and Zambia in the last decade on the bilateral relations between the U.S. and Zambia, the study analyzed the trends of the U.S. and Chinese economic interactions with Zambia. The hypothesis driving the study being: The increase in Chinese and Zambian economic relations will change the nature of the relationship between the U.S. and Zambia. The research employed statistics on foreign investment inflows and external debt stock to determine the trends. In both cases, the pattern showed that an increase in Chinese economic interactions with Zambia, and a steady interaction of the U.S. and Zambia indicated by a gradual decrease in foreign investment inflows and a marginal increase in the external debt stock to the U.S. Therefore, based on foreign investment inflows, an increase in economic relations between China and Zambia does not imply an increase in economic relations between the U.S. and Zambia.

The study also analyzed the Chinese and U.S. investments in Zambia by sector, looking at the principle sectors of the economy as stipulated by the SNDP. Statistics obtained from the U.S. State Department, the Chinese embassy in Zambia, and the Zambia development agency were compared. Although there are minor differences in the statistics obtained, the trends indicate that the U.S. has made significant investments in manufacturing, agriculture, tourism, health, and education, compared to China whose investments are primarily in mining and construction. The study also found out that Chinese statistics are not easily accessible and their foreign investment inflows to Zambia are mainly in mining and infrastructure development. There is also a debate that Chinese

foreign investment inflows to most African countries are not a true reflection of private sector investment because of the greater Chinese government involvement in their corporations. The study did not venture in this research considering its limitations and scope. However, it suggests that another study could be done on implications of Chinese private foreign investment inflows on other investors in Africa.

After analyzing both China and the U.S. involvement in sectors that contribute to Zambia's economic growth, the study identified areas of potential overlap in the trilateral relationship involving the U.S., China, and Zambia. The areas of potential overlap are mainly in the mining and construction sectors. Given the U.S. interests and position on China in Africa, any unfair or irresponsible actions that negatively influences Zambia's democratic governance, human rights, environmental protection, including other U.S. interests in Zambia has implications on bilateral relations between the U.S. and Zambia.

#### Interpretation of Findings

China has concentrated on the extraction of base metals and infrastructure development, mainly rehabilitating roads, railway, power stations including constructing health facilities, schools, sports facilities and housing units. According to the nature of relations between China and Zambia, historically the two countries have had political relations which played a very influential role in their bilateral relations. FOCAC 2000 provides for China to engage countries in Africa at bilateral level, implying that increased economic relations between China and Zambia have had political influences. Most of the economic agreements entered into are not in the public domain and the Chinese government has always worked with the Zambian government who act as brokers for their corporation's investments. Accordingly, it is difficult to obtain statistics on Chinese

investments in Zambia. Most of the information is only obtained from political speeches, which emphasize private foreign investment inflows as opposed to investments by sector. This raises a lot of questions regarding the transparency and accountability of the investments. Furthermore, China's political influence on its investments also raises many questions on its capacity to follow regulations on environmental protection, occupational safety and labor. This compromises the fight against corruption which has been on top of the GRZ's agenda.

The other aspect of great concern on the nature of economic relations and interests in Zambia, apart from political influences, is the manner by which the country contracts loans from China. Given the lack of transparency surrounding the Chinese investment agreements, many questions have been raised on how much is exactly involved, modes of payment and over what period. The TAZARA project serves as a good example of an agreement that lacked transparency. In 2008 the Zambian public raised questions over how much China was owed for the project and the repayment period, but to date no answers have been given. This again raises questions on how fair and reasonable Chinese investments in Zambia are.

Despite the lack of transparency observed above, Chinese investments have been significant given the status of Zambia as a developing country. China has been able to help Zambia develop its infrastructure and achieve meaningful economic growth through private foreign investment inflows in mining and construction. In the mining sector, China has been able to import over 70 percent of Zambia's copper and this has helped improve the GDP over the last decade. However, the question that needs to be answered is how long Zambia is going to depend on copper to sustain its economy? Given that

copper is a finite resource and its prices fluctuate on the world market, Zambia needs to learn from its experiences of the late 1980s, when copper prices slumped, to diversify its economic growth to other sectors. Increased economic relations between China and Zambia in the last decade are based on short-term benefits primarily driven by China's interests to access natural resources for its industries at home. Zambia needs a strong regulatory framework that regulates Chinese investments while at the same time draw maximum benefits to support other sectors of the economy for equitable growth.

In the case of the U.S. relations with Zambia, the two countries have enjoyed cordial relations since Zambia's independence in 1964. The relationship is based on a partnership that is aimed at helping Zambia achieve sustainable economic development and reduce poverty. The U.S. has been instrumental in helping Zambia improve its investment climate by promoting democratic governance institutions in the country that respects human rights and is capable of alleviating poverty. In addition, the U.S. government also runs programs that promote environmental protection, health care, agricultural development and education. In all these cases, the U.S. works to build capacity in Zambians so that they can develop their country. This means that the U.S. projects in Zambia produce long-term benefits in the long term as opposed to those from Chinese investments, which have short-term benefits.

According to the U.S. position on China in Zambia, the U.S. desires that China engages in a fair and responsible economic relationship that promotes mutual benefits and cooperation. This means that any actions in that Chinese relationship with Zambia that compromise a fair and responsible engagement are likely to impact negatively on the U.S. bilateral relations with Zambia. The U.S. places its programs on the priority list of



activities within its core strategic interests in Zambia. On top of the list is promoting democratic governance that facilitates economic growth in Zambia. This again implies that the political influences found to be driving the increased economic relations between China and Zambia can negatively impact on the U.S. and Zambian bilateral relations if they alter the complexion of governance in Zambia. Accordingly, this can affect other U.S. programs that facilitate sustainable economic development in Zambia.

The study also evaluated U.S. and Chinese investments in Zambia's primary economic sectors to determine the nature of their relations and interests in Zambia. The sectors considered, according to the SNDP, included mining, manufacturing, infrastructure development, agriculture, tourism, education, and health. A comparative analysis of sector involvement was able to provide results on the nature of relations in the form of parasitic, symbiotic, and synergistic. Parasitic refers to an economic relationship where either country is dependent on the other for economic benefits; symbiotic implies both the country investing and Zambia draw mutual benefits from the relation, and synergistic, in the case where Zambia draws maximum benefits. Values of "1," "2," and "3" were used to denote levels of benefits from "Low," "Medium," and "High" respectively. At the end the totals in the respective columns were calculated to determine whether Zambia in its trilateral relationship involving the U.S. and China stood to gain or lose. Table 9 depicts the meaning of the economic relations by sector.

Table 9. The U.S., China and Zambia Economic Relations Findings

		Parasitic	Symbiotic	Synergistic
Mining	U.S.	1	2	3
	China	3	3	3
Manufacturing	U.S.	2	3	3
	China	3	2	3
Infrastructure development	U.S.	1	2	3
	China	2	3	3
Agriculture	U.S.	1	2	3
	China	1	1	1
Tourism	U.S.	2	2	3
	China	1	1	1
Education	U.S.	1	2	3
	China	1	2	3
Health	U.S.	1	1	3
	China	1	1	2
Totals	U.S.	9	14	21
	China	12	13	15
Grand Totals		21	27	36

Key: High Benefits – 3, Medium Benefits – 2, Low Benefits – 1

*Source:* Created by author based on the data reviewed.

### What Do the Results Mean?

Zambia draws benefits from both the U.S. and China. China is involved in the extraction of its natural resources while the U.S. builds the country's capacity to develop its mining industry. The country has been able to achieve a synergistic and symbiotic relationship in some cases, though it needs to leverage the relations with China to change the parasitic nature to synergistic. In infrastructure development, again China has made significant investments and Zambia has been able to draw maximum benefits to achieve synergy. The U.S. equally has made meaningful investments in the sector especially in housing, though not at the level of China.

In the manufacturing sector, the U.S. has dominated with various companies promoting value addition to raw materials as opposed to China. Zambia in this sector has recorded growth through the U.S. investments and achieved synergy. Other than manufacturing, the other sector where the U.S. has equally made greater investments is agriculture. The U.S. has been instrumental in developing Zambia's agriculture sector with the view to diversify from a copper dependent economy. In this sector, Chinese investments did not measure to the U.S. initiatives. Therefore, Zambia has been able to draw enough benefits from the U.S. in agriculture.

According to table 9, the U.S. invests more in tourism than China does. This again can be attributed to Chinese interests in Zambia, as determined by the study. For education and health, both the U.S. and China has been instrumental. The U.S has concentrated in building capacity of Zambians through its programs, while China has been offering scholarships and providing medical personnel to the major hospitals. This is a sector where Zambia has been able to draw synergy from both countries. In most cases, the Chinese would build schools and hospitals, while the U.S. would help in the curriculum and help in fighting disease. This is an area where Zambia can leverage its interactions to continue to benefit.

Based on table 9, Zambia has been able to draw maximum benefits from the U.S. investments in manufacturing, agriculture, tourism, education, and health. At the same time, it has equally benefited more from Chinese investments in mining, infrastructure development, education, and health. The totals according to the analysis in table 9, show parasitic a score of 21, symbiotic 27, and synergetic 36. This means that Zambia draws more benefits from the trilateral relationship. On the other hand, considering the

differences in the total scores for parasitic, symbiotic, and synergetic which is a uniform “6.” The benefits can be interpreted as average, implying that the country would need to adopt a good economic strategy that shifts scores from parasitic to symbiotic or synergistic.

From the conclusions above, it can be seen that Zambia’s relationship with China in the last decade is not zero-sum. The country has been able to draw maximum benefits from its interaction with both the U.S. and China. According to the study the only aspects found to have the likelihood of impacting on Zambia’s bilateral relations with the U.S. is if the Chinese political influences behind the increased economic relations alters the democratic governance and other programs which are at the core of the U.S. strategic interests in Zambia. Therefore, given the findings in this study, the GRZ should formulate a strategy that leverages the relations of both the U.S. and China to draw synergy that is significant for economic growth.

#### What Are the Implications?

The study found that increased economic relations between China and Zambia in the last decade have had no significant implications on Zambia’s bilateral relations with the U.S. China has been interested in Zambia’s base metals while the U.S. has been working hard to promote democratic governance that facilitates economic growth in Zambia. The U.S. supports programs in Zambia’s economic sectors aimed at building capacity in Zambians to build their country and China through its investments has managed to help Zambia stabilize its growth and develop infrastructure in the last decade. The study also found that the U.S. desires a fair and responsible economic relationship that is based on cooperation and mutual benefits. This in itself implies that a good

economic relationship between China and Zambia should be one that does not impact negatively on U.S. interests and programs in Zambia. Accordingly, a fair and responsible economic cooperation between China and Zambia will be instrumental in sustaining Zambia's bilateral relations with the U.S.

### Recommendations

In this respect, the study recommends that Zambia should harness its efforts, particularly diplomatic and economic instruments, to leverage its relations with the U.S. and China to draw synergy. The GRZ should clearly state its vision and end state within the framework of this trilateral relationship, cautiously engage both the U.S. and China at political and economic levels using the necessary channels to spearhead a relationship that brings up benefits in the framework of its vision. Accordingly, the GRZ needs to address the issues of transparency and accountability through a strong regulatory framework that is implemented at all levels while drawing benefits from the trilateral relationship. If China helps stabilize Zambia's economy through private foreign investments and improve its infrastructure, while the U.S. is creating an environment favorable for economic growth and building the capacity of Zambians to manage their development, then Zambia stands to benefit from both the U.S. and China with a sound strategy.

This study was significant in determining the implications that can arise in a relationship where a developing country finds itself interacting with comparative super powers in the economic realm. The findings can serve as a model in countries with similar features and given the circumstances. The last decade has seen China step up its economic activities on the continent and there is need that Chinese economic

proliferation in any given country is properly managed together with other bilateral relations for the benefit of the country. Given the time and latitude, it is recommended that a study of this nature is subsequently conducted in Zambia using a quantitative approach and that a further study is done to determine the implications of Chinese private foreign investment inflows to Zambia on other private foreign investment inflows from other countries.

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